

PART 1940 - GENERAL

Subpart L - Methodology and Formulas for Allocation of Loan and Grant  
Program Funds

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PART 1940 - GENERAL

Subpart L - Methodology and Formulas for Allocation  
of Loan and Grant Program Funds

§1940.551 Purpose and general policy .

(a) The purpose of this subpart is to set forth the methodology and formulas by which the Administrator of the Farmers Home Administration (FmHA) allocates program funds to the States. (The term "State" means any of the States of the United States, the Commonwealth of Puerto Rico, any territory or possession of the United States, or the Western Pacific Areas.) (Revised 7-12-88, PN 89.)

(b) The formulas in this subpart are used to allocate program loan and grant funds to State Offices so that the overall mission of the Agency can be carried out. Considerations used when developing the formulas include enabling legislation, congressional direction, and administration policies. Allocation formulas ensure that program resources are available on an equal basis to all eligible individuals and organizations.

(c) The actual amounts of funds, as computed by the methodology and formulas contained herein, allocated to a State for a funding period, are distributed to each State Office by an exhibit to this subpart. The exhibit is available for review in any FmHA State Office. The exhibit also contains clarifications of allocation policies and provides further guidance to the State Directors on any suballocation within the State. FmHA will publish a Notice of Availability of Rural Housing funds in the Federal Register each year. (Revised 01-27-92, SPECIAL PN.)

§1940.552 Definitions .

(a) Amount available for allocations . Funds appropriated or otherwise made available to the Agency for use in authorized programs. On occasion, the allocation of funds to States may not be practical for a particular program due to funding or administrative constraints. In these cases, funds will be controlled by the National Office. (Revised 7-12-88, PN 89.)

(b) Basic formula criteria, data source and weight . Basic formulas are used to calculate a basic State factor as a part of the methodology for allocating funds to the States. The formulas take a number of criteria that reflect the funding needs for a particular program and through a normalization and weighting process for each of the criteria calculate the basic State factor (SF). The data sources used for each criteria are believed to be the most current and reliable information that adequately quantifies the criterion. The weight, expressed as a percentage, gives a relative value to the importance of each of the criteria.

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General

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(Revision 3)

(7-12-85) SPECIAL PN

(c) Basic formula allocation . The result of multiplying the amount available for allocation less the total of any amounts held in reserve or distributed by base or administrative allocation times the basic State factor for each State. The basic formula allocation (BFA) for an individual State is equal to:

$$\text{BFA} = (\text{Amount available for allocation} - \text{NO reserve} \\ - \text{total base and administrative allocations}) \times \text{SF}.$$

(d) Transition formula . A formula based on a proportional amount of previous year allocation used to maintain program continuity by preventing large fluctuations in individual State allocations. The transition formula limits allocation shifts to any particular State in the event of changes from year to year of the basic formula, the basic criteria, or the weights given the criteria. The transition formula first checks whether the current year's basic formula allocation is within the transition range (+ or - percentage points of the proportional amount of the previous year's BFA).

$$\text{Transition Range} = 1.0 + \frac{\text{maximum } 20\%}{100}$$

$$\frac{\text{X (Amount available for allocation this year)}}{\text{(Amount available for allocation previous year)}} \times \text{State previous year BFA}$$

If the current year's State BFA is not within this transition range, the State formula allocation is changed to the amount of the transition range limit closest to the BFA amount. After having performed this transition adjustment for each State, the sum of the funds allocated to all States will differ from the amount of funds available for BFA. This difference, whether a positive or negative amount, is distributed to all States receiving a formula allocation by multiplying the difference by the SF. The end result is the transition formula allocation. The transition range will not exceed 40% (+ 20%), but when a smaller range is used it will be stated in the individual program section.

(e) Base allocation . An amount that may be allocated to each State dependent upon the particular program to provide the opportunity for funding at least one typical loan or grant in each FmHA State, District, or County Office. The amount of the base allocation may be determined by criteria other than that used in the basic formula allocation such as Agency historic data.

(f) Administrative allocations . Allocations made by the Administrator in cases where basic formula criteria information is not available. This form of allocation may be used when the Administrator determines the program objectives cannot be adequately met with a formula allocation.

(g) Reserve. An amount retained under the National Office control for each loan and grant program to provide flexibility in meeting situations of unexpected or justifiable need occurring during the fiscal year. The Administrator may make distributions from this reserve to any State when it is determined necessary to meet a program need or Agency objective. The Administrator may retain additional amounts to fund authorized demonstration programs. When such demonstration programs exist, the information is outlined in Exhibit A of this subpart (available in any FmHA State Office). (Revised 7-12-88, PN 89)

(h) Pooling of funds. A technique used to ensure that available funds are used in an effective, timely and efficient manner. At the time of pooling those funds within a State's allocation for the fiscal year of portion of the fiscal year, depending on the type of pooling, that have not been obligated by the State are placed in the National Office reserve. The Administrator will establish the pooling dates for each affected program.

(1) Mid-year: This pooling addresses the need to partially redistribute funds based on use/demand. Mid-year pooling occurs near the midpoint of the fiscal year.

(2) Year-end: This pooling is used to ensure maximum use of program funds on a national basis. Year-end pooling usually occurs near the first of August.

(3) Emergency: the Administrator may pool funds at any time that it is determined the conditions upon the initial allocation was based have changed to such a degree that it is necessary to pool funds in order to efficiently carry out the Agency mission.

(i) Availability of the allocation. Program funds are made available to the Agency on a quarterly basis. In the high demand programs, it is necessary that specific instructions be given to the State Offices regarding the amount which is available for obligation during each quarter.

(j) Suballocation by the State Director. Dependent upon the individual program for which funds are being allocated, the State Director may be directed or given the option of suballocating the State allocation to District or County Offices. When suballocating the State Director may retain a portion of the funds in a State Office reserve to provide flexibility in situations of unexpected or justified need. When performing a suballocation the State Director will use the same formula, criteria and weights as used by the National Office.

(k) Other documentation. Additional instructions given to field offices regarding allocations.

§§1940.553 - 1940.554 Reserved

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(Revision 1)

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§1940.555 Insured Farm Operating loan funds .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C= Tenant farm operators. Source: U.S. Census of Agriculture. 20%

(4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E= Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$  where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. Not used.

(e) Base allocation . See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

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- (f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.
- (g) Reserve . See §1940.552(g) of this subpart.
- (h) Pooling of funds . See §1940.552(h) of this subpart.
- (i) Availability of the allocation See §1940.552( i) of this subpart.
- (j) Subobligation by the State Director . See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation . See §1940.552(k) of this subpart.

§1940.556      Guaranteed Farm Operating loan funds .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C= Tenant farm operators. Source: U.S. Census of Agriculture. 20%

(4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E= Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$  WHERE A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. Not used.

(e) Base allocation . See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.



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- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other Documentation. See §1940.552(k) of this subpart.

§1940.557 Insured Farm Ownership loan funds .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A = Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B = Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C = Tenant farm operations. Source: U.S. Census of Agriculture. 25%

(4) D = Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E = Value of farm real estate assets. Source: USDA Economic Research Service. 10% The basic allocation formula is a two-step process. IN step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=\text{State FACTOR}$  where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. The transition range is plus or minus 15%.

(e) Base allocation . See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

RD Instruction 1940-L  
§1940.557 (Cont.)

- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. A portion of the allocation will be targeted to the State's rural socially disadvantaged population. The amount of targeted funds for each State is equal to the State's total rural population multiplied by the State's total fiscal year Insured Farm Ownership allocation. Source of data is U.S. Census of Agriculture. (Revised 7-12-88, PN 89)
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§1940.558 Guaranteed Farm Ownership loan funds .

(a) Amount available for allocation . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C= Tenant farm operations. Source: U.S. Census of Agriculture. 25%

(4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E= Value of farm real estate assets. Source: USDA Economic Research Service. 10%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$  where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. Not used.

(e) Base allocation . See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations : See Section 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not have administrative allocations.

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- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552( i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§ 1940.559 Farmer Programs appropriations not allocated by State .  
(Revised 7-12-88, PN 89)

(a) Emergency Disaster . State allocations are not made since it is impossible to predict occurrences. Obligating documents may be submitted to the Finance Office as loans are approved in designated areas. This type of loan is available only in areas designated as disaster areas. Designations may be by a single county, multiple of counties or areas, depending upon the scope and severity.

(b) Soil and Water . Funds are not allocated to States. Program size does not permit equitable distribution. Obligation of funds are on a first-come, first-served basis, subject to availability.

§ 1940.560 Guarantee Rural Rental Housing Program.  
(Added 12-18-98, SPECIAL PN)

When funding levels are under \$100,000,000, all funds will all be held in a National Office reserve and made available administratively in accordance with the Notice of Funding Availability (NOFA) and program regulations. When program levels are sufficient for a nationwide program, funds are allocated based upon the following criteria and weights.

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. Each factor will receive a weight respectively of 40%, 40% and 20%. The criteria used in the basic formula are:

- (1) State's percentage of National rural population,
- (2) State's percentage of the National number of rural households between 50 and 115 percent of the area median income, and
- (3) State's percentage of National average cost per unit.  
Data source for the first two of these criterion are based on the latest census data available. The third criterion is based on the cost per unit data using the applicable maximum per unit dollar amount limitations under section 207(c) of the National Housing Act, which can be obtained from the Department of Housing and Urban Development. The percentage representing each criterion is multiplied by the weight assigned and totaled to arrive at a State factor.

State Factor = (criterion No. 1 x weight of 40%)+  
(criterion No. 1 x weight of 40%)+  
(criterion No. 1 x weight of 20%)

- (c) Basic formula allocation . See § 1940.552(c).
- (d) Transition formula. See § 1940.552(d).
- (e) Base allocation . See § 1940.552(e). Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations . See § 1940.552(f). Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve . See § 1940.552(g).
- (h) Pooling of funds . See § 1940.552(h).
- (i) Availability of the allocation . See § 1940.552( i).
- (j) Suballocation by the State Director . See § 1940.552(j).
- (k) Other documentation . Not applicable.

§§ 1940.561 - 1940.562 [Reserved]

§ 1940.563 Section 502 non-subsidized guaranteed Rural Housing (RH) loans .  
(Added 03-13-91, PN 159.)

- (a) Amount available for allocations . See § 1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight . See § 1940.552(b) of this subpart. The criteria used in the basic formula are:
  - (1) State's percentage of the National number of rural occupied substandard units,
  - (2) State's percentage of the National rural population in places of less than 2,500 population,
  - (3) State's percentage of the national number of rural households between 80 and 100 percent of the area median income, and

## § 1940.563(b) (Con.)

(4) State's percentage of the national number of rural renter households paying more than 35 percent of income for rent. Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF) as follows:

$$\begin{aligned} \text{SF} = & (\text{criterion 1} \times \text{weight of 30 \%}) + \\ & (\text{criterion 2} \times \text{weight of 10 \%}) + \\ & (\text{criterion 3} \times \text{weight of 30 \%}) + \\ & (\text{criterion 4} \times \text{weight of 30 \%}) \end{aligned}$$

- (c) Basic formula allocation . See § 1940.552(c) of this subpart.
- (d) Transitional formula . See § 1940.552(d) of this subpart. The percentage range used for Section 502 guaranteed RH loans is plus or minus 15.
- (e) Base allocation . See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations . See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve . See § 1940.552(g) of this subpart.
- (h) Pooling of funds . See § 1940.552(h) of this subpart.
- (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
- (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.
- (i) Availability of the allocation . See § 1940.552( i) of this subpart.
- (j) Suballocation by the State Director . See § 1940.552(j) of this subpart. Annually, the Administrator will advise State Director's whether or not suballocation within the State Office jurisdiction will be required for the guaranteed housing program.
- (k) Other documentation . Not applicable.



§ 1940.564 Section 502 subsidized guaranteed Rural Housing (RH) loans.  
(Added 03-13-91, PN 159.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

- (1) State's percentage of the National number of rural occupied substandard units,
- (2) State's percentage of the National rural population in places of less than 2,500 population,
- (3) State's percentage of the national number of rural households below 80 percent of the area median income, and
- (4) State's percentage of the national number of rural renter households paying more than 35 percent of income for rent. Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF) as follows:

$$\begin{aligned} \text{SF} = & (\text{criterion 1} \times \text{weight of 30 \%}) + \\ & (\text{criterion 2} \times \text{weight of 10 \%}) + \\ & (\text{criterion 3} \times \text{weight of 30 \%}) + \\ & (\text{criterion 4} \times \text{weight of 30 \%}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transitional formula. See § 1940.552(d) of this subpart. The percentage range used for Section 502 guaranteed RH loans is plus or minus 15.

(e) Base allocation. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart.

§ 1940.564 (Con.)

(h) Pooling of funds . See § 1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) Availability of the allocation . See § 1940.552( i) of this subpart.

(j) Suballocation by the State Director . See § 1940.552(j) of this subpart. Annually, the Administrator will advise State Director's whether or not suballocation within the State Office jurisdiction will be required for the guaranteed housing program.

(k) Other documentation . Not applicable.

§1940.565 Section 502 subsidized Rural Housing loans .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. The criteria used in the basic formula are:

- (1) State's percentage of the National number of rural occupied substandard units,
- (2) State's percentage of the National rural population,
- (3) State's percentage of the National rural population in places of less than 2,500 population,
- (4) State's percentage of the National number of rural households between 50 and 80 percent of the area median income, and
- (5) State's percentage of the National number of rural households below 50 percent of the area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF)

SF=(criterion 1 x weight of 25%)+  
(criterion 2 x weight of 10%)+  
(criterion 3 x weight of 15%)+  
(criterion 4 x weight of 30%)+  
(criterion 5 x weight of 20%)

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. The percentage range used for Section 502 subsidized RH loans is plus or minus 15.

(e) Base allocation . See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve . See §1940.552(g) of this subpart.

(h) Pooling of funds . See §1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) Availability of the allocation . See §1940.552( i) of this subpart.

(j) Suballocation by the State Director . See §1940.552(j) of this subpart. The State Director will suballocate funds to the District Offices and may, at his/her option, suballocate to the County Offices. The State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.565(b) and (c) of this section. The suballocations to District or County Offices will not be reduced or restricted unless written approval is received from the National Office in response to a written request from the State Director. The State Director's request must include the reasons for the requested action (e.g., high housing inventory and/or high housing delinquency).

(k) Other documentation . The percentage distribution of funds to the States by income levels is based on prevailing legislation.

§1940.566 Section 504 Housing Repair loans .

- (a) Amount available for allocations . See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight . See §1940.552(b). The criteria used in the basic formula are:

- (1) State's percentage of the National number of rural occupied substandard units, and
- (2) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

$$SF = (\text{criterion No. 1} \times \text{weight of 50\%}) +$$
$$(\text{criterion No. 2} \times \text{weight of 50\%})$$

- (c) Basic formula allocation . See §1940.552(c) of this subpart.
- (d) Transition formula . See §1940.552(d) of this subpart. The percentage range used for Section 504 Housing Repair Loans is plus or minus 15.
- (e) Base allocation . Not used.
- (f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve . See §1940.552(g) of this subpart.
- (h) Pooling of funds . See §1940.552(h) of this subpart.
- (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
  - (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.
- (i) Availability of the allocation . See §1940.552( i) of this subpart.

RD Instruction 1940-L  
§1940.566 (con.)

(j) Suballocation by the State Director . See §1940.552(j) of this subpart. At the option of the State Director, Section 504 loan funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.566(b) and (c) of this section.

(k) Other documentation . Not applicable.

§1940.567 Section 504 Housing Repair grants .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. The criteria used in the basic formula are:

- (1) State's percentage of the National number of rural occupied substandard units,
- (2) State's percentage of the National rural population 62 years and older, and
- (3) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

SF=(criterion No. 1 x weight of 33 1/3%)+  
(criterion No. 2 x weight of 33 1/3%)+  
(criterion No. 3 x weight of 33 1/3%)

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. The percentage range used for Section 504 Housing Repair grants is plus or minus 15.

(e) Base allocation . Not used.

(f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve . See §1940.552(g) of this subpart.

(h) Pooling of funds . See §1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

- (i) Availability of the allocation . See §1940.552( i) of this subpart.
- (j) Suballocation by the State Director . See §1940.552(j) of this subpart. At the option of the State Director, Section 504 grant funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.567(b) and (c) of this section.
- (k) Other documentation . Not applicable.



§1940.568 Single Family Housing programs appropriations not allocated by State. The following program funds are kept in a National Office reserve and are available as determined administratively:

- (a) Section 523 Self-Help Technical Assistance Grants .
- (b) Section 523 Land Development Fund .
- (c) Section 524 Rural Housing Site Loans .
- (d) Section 509 Compensation for Construction Defects .
- (e) Section 502 Nonsubsidized Funds .

§§1940.569 - 1940.574 Reserved.

§1940.575 Section 515 Rural Rental Housing (RRH) loans . (Revised 7-12-88, PN 89)

(a) Amount available for allocations . See §1940.552 (a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552 (b) of this subpart.

The criteria used in the basic formula are:

- (1) State's percentage of National rural population,
- (2) State's percentage of National number of rural occupied substandard units, and
- (3) State's percentage of National rural families with incomes below the poverty level.

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight assigned and summed to arrive at a State factor (SF).

$$SF = (\text{criterion No. 1} \times \text{weight of } 33 \frac{1}{3}\%) +$$
$$(\text{criterion No. 2} \times \text{weight of } 33 \frac{1}{3}\%) +$$
$$(\text{criterion No. 3} \times \text{weight of } 33 \frac{1}{3}\%)$$

(c) Basic formula allocation . See §1940.552 (c) of this subpart.

(d) Transition formula . See §1940.552 (d) of this subpart.

(e) Base allocation . See §1940.552 (e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations . See §1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve . See §1940.552 (g) of this subpart.

(h) Pooling of funds . See §1940.552 (h) of this subpart.

(i) Availability of the allocation . See §1940.552 ( i) of this subpart.

(j) Suballocation by the State Director . See §1940.552 (j) of this subpart.

(k) Other documentation . Not applicable.

(7-12-85) SPECIAL PN

§1940.576 Rental Assistance (RA) for new construction . (Revised 7-12-88, PN 89)

- (a) Amount available for allocations . See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight . See §1940.575 (b) of this subpart.
- (c) Basic formula allocation . See §1940.552 (c) of this subpart.
- (d) Transition formula . See §1940.552 (d) of this subpart.
- (e) Base allocation . See §1940.552 (e) of this subpart.
- (f) Administrative allocations . See §1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve . See §1940.552 (g) of this subpart.
- (h) Pooling of funds . See §1940.552 (h) of this subpart.
- (i) Availability of the allocation . See §1940.552 ( i) of this subpart.
- (j) Suballocation by the State Director . See §1940.552 (j) of this subpart.
- (k) Other documentation . Not applicable.

§1940.577 Rental Assistance (RA) for existing projects .

(a) Amount available for allocations . See §1940.552 (a) of this subpart. RA appropriated for existing projects will first be used to replace contracts expiring each fiscal year and for the first few months of the following fiscal year. This is done to assure continued RA funding. RA units not needed for replacement purposes will be used for existing multiple family housing projects experiencing servicing problems.

(b) Basic formula criteria, data source and weight . No formula or weighted criteria is used to allocate replacement RA. The basic allocation for replacement RA will be made based on the following:

(1) Criteria . This allocation is based on the estimated need to replace RA contracts expiring from the depletion of funds.

(2) Data source . The most accurate and current information available from FmHA computerized data sources.

(c) Basic formula allocation . While no formula will be used, the basic allocation will be made to each State according to the need determined using the basic criteria.

(d) Transition formula . Not applicable.

(e) Base allocation . Not applicable.

(f) Administrative allocation . Not applicable.

(g) Reserve . See §1940.5522 (g) of this subpart. The National Office maintains a reserve adequate to compensate for the differences between actual and projected replacement activity. Units will be administratively distributed for existing housing to either satisfy previously unidentified replacement needs or address servicing situations. Units will be distributed to any State when the Administrator determines that additional allocations are necessary and appropriate.

(h) Pooling of funds . See §1940.552 (h) of this subpart. Units will be pooled at the Administrator's discretion.

(i) Obligation of the allocation . See §1940.552 ( i) of this subpart. (Revised 7-12-88, PN 89)

(j) Suballocation by the State Director . See §1940.552 (j) of this subpart.

(k) Other documentation . Not applicable.

§1940.578 Housing Preservation Grant (HPG) program . (Revised 7-12-88, PN 89)

- (a) Amount available for allocations . See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight . See §1940.575 (b) of this subpart.
- (c) Basic formula allocation . See §1940.552 (c) of this subpart.
- (d) Transition formula . See §1940.552 (d) of this subpart.
- (e) Base allocation . See §1940.552 (e) of this subpart.
- (f) Administrative allocations . See §1940.552 (f) of this subpart.
- (g) Reserve . See §1940.552 (g) of this subpart.
- (h) Pooling of funds . See §1940.552 (h) of this subpart. Funds may be pooled after all HPG applications have been received and HPG fund demand by State has been determined. Pooled funds will be combined with the National Office reserve to fund eligible projects. Remaining HPG funds will be available for distribution for use under the Section 504 program.
- (i) Availability of the allocation . See §1940.552 ( i) of this subpart.
- (j) Suballocation by the State Director . Not applicable.
- (k) Other documentation . Funds for the HPG program will be available for a limited period each fiscal year. Due to the requirements by law to allocate funds on a formula basis to all States and to have a competitive selection process for HPG project selection, FmHA will announce opening and closing dates for receipt of HPG applications. After the closing date, FmHA will review and evaluate the proposals, adjust State allocations as necessary to comply with the law and Program demand, and redistribute remaining unused HPG resources for use under Section 504 (as required by statute).

§ 1940.579 Multiple Family Housing appropriations not allocated by State .  
(Revised 06-07-99, SPECIAL PN.)

Funds are not allocated to States. The following program funds are kept in a National Office reserve and are available as determined administratively:

(a) Section 514 Farm Labor Housing Loans.

(b) Section 516 Farm Labor Housing Grants.

§§ 1940.580 - 1940.584 [Reserved]

(Continued on page 29)

§ 1940.585 Community Facility loans .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\begin{aligned} \text{SF} = & (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + \\ & (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + \\ & (\text{criterion (b)(1)(iii)} \times 25 \text{ percent}) \end{aligned}$$

(c) Basic formula allocation . See §1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) Transition formula . See §1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (+ 15%).

(e) Base allocation . See §1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation . See §1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.



(g) Reserve. See §1940.552(g) of this subpart. States may request funds by forwarding a completed copy of Guide 26 of Subpart A of Part 1942 of this chapter (available in any Rural Development office), to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate the loan requested.

(h) Pooling of funds. See §1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See §1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by the State Director. See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) Other documentation. Not applicable.

§§1940.586 - 1940.587 [Reserved]

(Continued on page 35)

§1940.588 Business and Industrial guaranteed loans .

(a) Amount available for allocations . See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + (\text{criterion (b)(1)(iii)} \times 25 \text{ percent})$$

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . See §1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (+ 15%).

(e) Base allocations . See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations . See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive initial administrative allocations.

(g) Reserve. See §1940.552(g) of this subpart. A National reserve of approximately 10 percent of the program amount has been established for the B&I program. States may request reserve funds from the B&I reserve when all of the State's allocation has been obligated or will be obligated to the project for which the request is made.

(h) Pooling of funds. See §1940.552(h) of this subpart. Funds are generally pooled at mid-year and yearend. Pooled funds will be placed in a reserve and made available on a priority basis to all States.

(i) Availability of the allocation. See §1940.552( i) of this subpart. There is a 6-day waiting period from the time project funds are reserved to the time they are obligated.

(j) Suballocation by the State Director. Not applicable.

(k) Other documentation. Not applicable.

§1940.589 Rural Business Enterprise Grants . (Revised 08-20-92,  
SPECIAL PN.)

(a) Amount available for allocations . See §1940.552(a) of this  
subpart.

(b) Basic formula criteria, data source and weight . See §1940.552(b)  
of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50  
percent.

(ii) State's inverse percentage of nonmetropolitan  
income - 25 percent.

(iii) State's percentage of national nonmetropolitan  
unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest  
census data available. Each criterion is assigned a specific weight  
according to its relevance in determining need. The percentage  
representing each criterion is multiplied by the weight factor and  
summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + \\ (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + \\ (\text{criterion (b)(1)(iii)} \times 25 \text{ percent})$$

(c) Basic formula allocation . See §1940.552(c) of this subpart.

(d) Transition formula . Not used.

(e) Base allocation . See §1940.552(e) of this subpart.

(f) Administrative allocation . Not used.

(g) Reserve . See §1940.552(g) of this subpart. States may request  
funds by written request of the Director, Community Facilities Loan  
Division. Generally, a request for additional funds will not be honored  
unless the State has insufficient funds to obligate from the State's  
allocation.

(h) Pooling of funds . See §1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation . See 1940.552( i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by the State Director . See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) Other documentation . Not applicable.

§ 1940.590 Community and Business Programs appropriations not allocated by State. (Revised and renumbered 7-12-88, PN 89.)

(a) Watershed Protection Loans, Resource Conservation and Development Loans, and Flood Protection Loans. State allocations will not be made for these type loans. Instead, obligating documents may be submitted to the Finance Office when a loan is approved. Only States that are authorized to process P.L. 534 loans may submit obligating documents to the Finance Office for that type loan. Resource Conservation and Development (RC&D) loan funds will be used in preference to community facility funds in designated RC&D areas for loan purposes included in Subpart A of Part 1942 of this chapter.

(b) Indian Land Acquisition. Control of funds will be retained in the National Office and allocated on an individual case basis. Requests for funds will be made to the Director, Community Facilities Division, when it is determined the loan can be approved.

(c) Nonprofit National Corporation Guaranteed Loans and Grants. Control of funds will be retained in the National Office. These funds are not available for obligation by States.

(d) Rural Development Loan Fund Relending Program. Control of funds will be retained in the National Office. These funds are not available for obligation by States.

(e) Technical Assistance and Training Grants. Control of funds will be retained in the National Office and allocated on a project case basis. These funds are not available for obligation by States.

(f) Emergency Community Water Assistance Grants. Control of funds will be retained in the National Office and allocated on a project case basis. Requests for funds will be made to the Director, Water and Waste Disposal Division. (Added 4-4-90, SPECIAL PN.)

(g) System for Delivery of Certain Rural Development Programs Panel Grants. Control of funds will be retained in the National Office and made available to eligible States. (Added 05-06-92, SPECIAL PN.)

(h) Television Demonstration Grants. Since this is a demonstration program, all funds are being retained in the National Office. Funds may be requested by sending in attachment 1, section C of RD Instruction 1942-G. (Added 08-20-92, SPECIAL PN.)

(i) Section 306C WWD loans and grants in subpart E of part 4284 of this title. Control of funds will be retained in the National Office and allocated on a project case basis. Requests for funds will be made to the Director, Water and Waste Disposal Division. (Added 01-22-93, SPECIAL PN.)

(j) Rural Cooperative Development Grants. Control of funds will be retained in the National Office and allocated on a project case basis. Funds may be requested by sending in exhibit B of RD Instruction 4284-F. (Revised 08-07-97, SPECIAL PN.)

§ 1940.591 Community Program Guaranteed loans. (Revised 3-26-90, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source, and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\begin{aligned} \text{SF} = & (\text{criterion (b)(1)( i) x 50 percent}) + \\ & (\text{criterion (b)(1)(ii) x 25 percent}) + \\ & (\text{criterion (b)(1)(iii) x 25 percent}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

## §1940.591 (Con.)

(d) Transition formula . The transition formula for Community Programs Guaranteed loans is not used. (Revised 3-26-90, SPECIAL PN.)

(e) Base allocation . See §1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation . See §1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve . See §1940.552(g) of this subpart. States may request funds by forwarding a request following the format found in Guide 26 of Subpart A of Part 1942 of this chapter to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds from the State's allocation to obligate the loan requested. (Revised 3-26-90, SPECIAL PN.)

(h) Pooling of funds . See §1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation . See §1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by State Director . See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) Other documentation . Not applicable.

§ 1940.592 Community Facilities Grants . (Added 04-07-97, SPECIAL PN.)

(a) Amount available for allocation . See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source, and weight . See § 1940.552(b) of this subpart.

(1) The criteria used in the basic formula are:

(i) State's percentage of National rural population - 50 percent.



(ii) State's percentage of National rural population with incomes below the poverty level - 50 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

$$\text{SF} = (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) \\ + (\text{criterion (b)(1)(ii)} \times 50 \text{ percent})$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) Transition formula. The transition formula for Community Facilities Grants is not used.

(e) Base allocation. See § 1940.552(3) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation. See § 1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart. States may request funds by forwarding Form Letter RD 3570-B-1 to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds from the State's allocation to obligate the grant requested.

(h) Pooling of funds. See § 1940.552(h) of this subpart. Funds are generally pooled at midyear and yearend. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by State Director. See § 1940.552(j) of this subpart. State Director has the option to suballocate to area offices.

§§1940.593 - 1940.600 [Reserved]

Attachments: Exhibits A, B, C, and D.

## ALLOCATION OF PROGRAM FUNDS

This exhibit provides the allocation for program funds and instructions for the use of those funds. Planning and the commitment of resources should be based on these allocations.

The methodology and formulas for the allocation of funds to the States is as stated in the Instruction. Only those areas where it was necessary to provide additional information have been addressed in this exhibit. Refer to the main body of this Instruction for all basic information on the allocation and use of program funds. Attachments 1 and 2 of this exhibit provide information on the various programs as follows:

Attachment 1 - Rural Business-Cooperative Service

Attachment 2 - Rural Housing Service

Part I - Rural Community Advancement Program/Rural  
Housing Assistance Grants

Part II - Rural Housing Service

Subpart A - Rural Community Advancement Program  
Community Facilities

Subpart B - Multi-Family Housing (MFH)

Subpart C - Single Family Housing (SFH)

The fund control function is performed by the National Office. Fund control balances can be obtained on the State Office terminal through APROPTN, the acronym for the Appropriation Accounting System, on the Online Subsystem Selection Menu screen. Should you have any questions regarding your State's distribution balances, call the respective program division. You can monitor your distribution amount via the Detail File Appropriation Screen.

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RURAL BUSINESS-COOPERATIVE SERVICE  
BUSINESS PROGRAMS

I. General.

A. This attachment provides loan and grant funding allocations available for Fiscal Year (FY) 2000. Computations for allocations available to individual States have been performed in accordance with §§ 1940.588 and 1940.589 of this instruction. Every effort will be made to re-emphasize Rural Development's mission as a provider of affordable credit to those areas of greatest need.

Under the Rural Community Advancement Program (RCAP), the budget authority has been appropriated to the Rural Business-Cooperative Service for Business and Industry (B&I) Guaranteed and Direct Loans, Rural Business Enterprise Grants (RBEG), and Rural Business Opportunity Grants (RBOG).

B. Program assistance under RCAP is limited to rural areas, as defined in the authorizing legislation for program appropriations for FY 2000, and program regulations which were in existence prior to passage of the 1996 Farm Bill ( Pub.L. 104-127). This means that the rural area definition for the B&I Guaranteed and Direct Loan Programs will be the one contained in RD Instruction 1980-E, §§ 1980.402 and 1980.405, because the current B&I program regulation did not exist prior to enactment of Pub.L. 104-127. The rural area definition for the RBEG Program will be the one contained in RD Instruction 1942-G, § 1942.304.

For any funds obligated for earmarks or set asides where funds cannot be used in accordance with the original approved plan of work or scope of work, the State Director must send the request for the change in use to the National Office for review and concurrence prior to use of funds.

The Conference Report accompanying the FY 2000 Appropriations Act advised the Department to utilize up to \$1 million of RCAP funding among Business Programs for agri-tourism development. States should conduct outreach activities to encourage quality applications for agri-tourism development, consistent with applicable program regulations, to assure such applications are appropriately considered during the competitive selection process within the State. In order to report Agency progress in implementing this Congressional advice, States should report any funding activity by memorandum to the Administrator, with a copy to the Deputy Administrator, Business Programs. A copy of page 21 of this attachment should accompany that memorandum.

State Directors will have authority to transfer up to 20 percent of their initial State B&I Guaranteed Loan and RBEG allocations between the B&I Guaranteed Loan and RBEG accounts. Due to the way the funds control system is currently configured, the National Office will have to make these transfers on behalf of the State Director. In an effort to minimize the burden of making numerous transfers, each State may submit transfer requests to the National Office by the third Tuesday of each month for transfer by the first Tuesday of the following month. Transfer requests are to be E-mailed to Elsa De Leon, Business Programs (edeleon@urdev.usda.gov), with an E-mail copy to Sylvia Neal (sneal@urdev.usda.gov). **The originating office will receive a confirmation that the National Office received all requests sent via E-mail.** Emergency requests will be considered when it can be demonstrated that the viability of the business will be compromised or jobs will be lost or not created if the transfer is not completed in a more timely manner.

#### Transfer of Funds

The impact of transferring funds is dependent on the loan subsidy factor established for the year. Since there is no subsidy factor for grant funds, the program level is the same as the budget authority amount. However, the program level for B&I Guaranteed Loan funds is considerably higher than the appropriated subsidy; it is determined by dividing the budget authority amount by the subsidy factor. The factor for B&I Guaranteed Loans for FY 2000 is .0311. The impact of transfers is shown in the following examples of the maximums which could be made under the 20 percent limit.

**NOTE:** In the request for transfer, you must show all calculations. All calculations are to be rounded down to the next lowest cent. For example, if a calculation resulted in a number which ended in 35.9 cents, the cents are to be rounded down to 35 cents.

Maximum transfer of grant to guaranteed loan:

\$500,000 - Initial grant allocation  
\$100,000 - 20 percent of allocation  
\$100,000 Divided by .0311 = \$3,215,434.08  
B&I Guaranteed Loan allocation (program level) increase

Maximum transfer of guaranteed loan to grant:

\$14,000,000 - Initial B&I Guaranteed Loan allocation  
(program level)  
\$ 2,800,000 - 20 percent of allocation  
(\$2,800,000 x .0311 = \$87,080)  
\$ 87,080 - Grant allocation increase

**This fiscal year, there is a negative subsidy factor for the B&I Direct Loan Program; therefore, no budget authority can be transferred either from or into the program.**

C. Funds Not Distributed to States.

1. Empowerment Zones/Enterprise Communities (EZ/EC) and Rural Economic Area Partnerships (REAP). Title III of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act ( Pub.L. 106-354) earmarked funds out of certain loan and grant programs. Earmarked funds will be kept in a Reserve fund and controlled by the National Office. Funds may be requested in the same manner as requesting Reserve funds for regular programs. The earmarked funds will be available for EZ/EC and REAP projects through June 30, 2000. This means that earmarked funds must have an obligation date of no later than June 30, 2000. After that time, any remaining unobligated funds will revert to regular program use. This includes funds that have been allocated to States, particularly for EZ/EC and REAP projects, but have not been obligated (see page 20 of this attachment for funding cycle information). The following amounts are available for FY 2000:

Business and Industry Guaranteed Loans	\$13,987,138.26
Intermediary Relending Program Loans	7,405,019.57
Rural Business Enterprise Grant Program	7,000,000.00
Rural Business Opportunity Grant Program	1,000,000.00

EZ/EC and REAP earmarked funds will be used for projects identified in the EZ/EC or REAP Strategic Plan and benchmark documents, provided at least 75 percent of the benefits of the project will be received by residents within the EZ/EC and REAP census tract boundaries. Waiver of the 75 percent minimum is possible on a case-by-case basis if the project would otherwise provide significant benefits to the EZ/EC and REAP areas. Requests for waivers should be submitted to the Administrator's Office with a copy to the Office of Community Development, Attention: Empowerment Program Division.

2. Intermediary Relending Program (IRP). All funds are retained in the National Office. Funds will be made available quarterly on a case-by-case basis, based on national competition. Applications must be received by the Agency prior to the first day of a quarter (October 1, January 1, April 1, or July 1) to be considered during that quarter for an allocation of funds. For funding cycle information, see page 20 of this attachment. Each application will continue to be considered each quarter until it has been selected

for funding or considered in four consecutive quarterly cycles. The National Office will notify the State Director or designee when an IRP application is selected for funding. The amount available for FY 2000 is \$38,256,965.22, which includes \$7,405,019.57 earmarked for EZ/EC and REAP and \$3,200,000 for Special Initiatives.

Due to the large demand for this program, the following loan initiatives are being implemented for applications approved this fiscal year:

Initial Loan Application: The loan is limited to a maximum of \$750,000 unless:

- the service area is not covered by another intermediary,
- the State has not received any IRP funding the last two fiscal years, and
- the proposed service area is an under-served area as defined in the National/State Strategic Plan.

In cases where all three of the above criteria are met and this is an initial loan application, a maximum loan of \$1 million will be considered.

Subsequent Loan Application: All subsequent loan applications will be limited to a maximum of \$750,000.

For any pending applications on file, you should immediately contact applicants and advise them of loan limitations for this fiscal year. The applicants must advise you in writing whether they wish their application to continue to be considered under the above-stated loan limitations.

E-mail requests for IRP funding must include the intermediary applicant's name, applicant's location, date the application was received in the State Office, administrative point justification in accordance with RD Instruction 4274-D, section 4274.344(c)(6) (see page 26 for additional guidance), and a priority score sheet (see pages 37-38) per RD Instruction 4274-D, Exhibit C. Requests for funds are to be E-mailed to Scott Ostergard (msosterg@rus.usda.gov), Specialty Lenders Division.

3. Rural Economic Development Loan (REDL) Program. All funds are retained in the National Office. Applications will be processed in the State Office. Selections will be made in the National Office based on national competition. Applications and requests for funds must be received in the National Office prior to the first day of a quarter (October 1, January 1, April 1, or July 1) to be considered during that quarter for an allocation of funds. Please refer to page 20 of this attachment for funding cycles for FY 2000.

Each application will continue to be considered each quarter until it has been selected for funding or considered in four consecutive quarterly cycles. The amount available for FY 2000 is \$15,000,000. The maximum loan for any one project in FY 2000 will be \$450,000. A Federal Register document announcing this limitation was published on November 15, 1999 (64 FR 61817).

4. Rural Economic Development Grant (REDG) Program. All funds are retained in the National Office. Applications will be processed in the State Office. Selections will be made in the National Office based on national competition. Applications and requests for funds must be received in the National Office prior to the first day of a quarter (October 1, January 1, April 1, or July 1) to be considered during that quarter for an allocation of funds. Please refer to page 20 of this attachment for funding cycles for FY 2000. Each application will continue to be considered each quarter until it has been selected for funding or considered in four consecutive quarterly cycles. The amount available for FY 2000 is \$4,000,000. The maximum grant for any one project will be \$200,000 for FY 2000. A Federal Register document announcing this limitation was published on November 15, 1999 (64 FR 61817). Due to limited funding in the REDG Program, approximately \$1 million will be allocated for each quarter.

5. Funding for the North American Development Bank (NADBank) Initiative. Loans made under this authority are to be processed under provisions of the Memorandum of Understanding (MOU) between USDA and Treasury, Guidelines for the Community Adjustment and Investment Program, @ U.S. Community Adjustment Program Policies and Procedures, and RD Instructions 4279-A and B as if they were regular B&I Guaranteed Loans, except for the fact that NADBank may pay the guarantee fee on behalf of the lender or borrower, the \$70,000 cost per job ceiling (computed on the guaranteed portion), and the requirement that debt refinancing is restricted to less than half of the total loan amount. Requests for funding and concurrence in loan approval for NADBank loans, which would normally be within the State Director's delegated B&I loan approval authority, are to be made by E-mailing completed copies of pages 23, 24, and 25 of this attachment, along with the other information normally submitted for a request for B&I Guaranteed Loan funds, to Steve Levy (levysteve@mail.com) with an E-mail copy to the Director (dcarmon@rurdev.usda.gov), Business Programs Processing Division. For loans in excess of the State Director's delegated B&I Guaranteed Loan approval authority, the complete casefile (in addition to the information above), must be forwarded under separate cover to the Business Programs Processing Division.

For this fiscal year, a limit of 50 percent of funding provided can be for loan requests with a guarantee percentage being more than 80 percent; these requests must have a strong justification provided as part of the request.

6. Funding for the Armament Retooling and Manufacturing Support (ARMS) Initiative. Loans made under this authority are to be processed under provisions of the MOU between RBS and the Army and RD Instructions 4279-A and B, with the provisions of the MOU taking precedence. There is no delegated guaranteed loan approval authority for this program. All requests for funding must be sent to the Director, Business Programs Processing Division, along with the complete case file and State recommendation.

7. Rural Cooperative Development Grants (RCDG). The regulation for this program was published in FY 1997 and will remain unchanged in FY 2000. An invitation for preapplications will be published by the Spring of 2000. States will be notified when applications will be solicited.

8. Rural Business Opportunity Grants (RBOG). We anticipate the final program regulations will be published and implemented by February 2000. The amount available for FY 2000 is \$3.5 million. In addition to the \$1 million earmarked for EZ/EC/REAP communities, \$1 million is to be set aside for designated REAP communities. The unrestricted (not earmarked or set aside) RBOG funds available total \$1.5 million. All RBOG funds will remain in the National Office Reserve and will not be available until final regulations are published and become effective.

The conference report accompanying the FY 2000 Appropriations Act directed the Department to use the RBOG funds for regional economic planning activities conducted by local governments or their designees. Regulations will recognize local governments as eligible recipients and regional planning as an eligible purpose but does not restrict grant assistance only to local governments for regional planning purposes. While the conference report provides no legal mandate or authority to override the program regulations, State Directors should conduct outreach activities to encourage quality applications from local governments and their designees for regional planning purposes. State Directors should use their discretionary priority points, consistent with program regulations, to assure such applications are appropriately considered.

There will be two funding cycles for RBOG funds not earmarked or set aside (see page 20 of this attachment for details).



Requests for National Office Reserve funding must be accompanied by the score sheet (Exhibit B of RD Instruction 4284-G, see page 31 of this attachment), and a Project Information/Fund Request sheet (page 21 of this attachment).

The requests for National Office Reserve funding will be submitted to Wayne Stansbery (wstansbe@rus.usda.gov), Specialty Lenders Division, after the docket has been developed to the point where the grant can be approved upon notification that funds are available.

**Consideration will not be given to requests received in the National Office after the date indicated on page 20 of this attachment listing funding cycles for FY 2000.**

**Allocated funds must have an obligation date of no later than June 30, 2000,** or they will revert to the National Office control for redistribution in accordance with requests from State Directors.

REAP Set Aside. In addition to the EZ/EC and REAP earmarked funds and the unrestricted funds, \$1 million in RBOG funds will be set aside for use only in REAP zones. Set aside funds will be kept in a reserve fund controlled by the National Office. Funds may be requested in the same manner as requesting regular RBOG funds. The set aside funds will be available for REAP projects through June 30, 2000. This means that set aside funds must have an obligation date of no later than June 30, 2000. After that time, any remaining unobligated funds will revert to regular program use. See page 20 of this attachment for funding cycle information.

REAP set aside funds will be used for projects provided at least 75 percent of the benefits of the project will be received by residents within the REAP boundaries. Waiver of the 75 percent minimum is possible on a case-by-case basis if the project would otherwise provide significant benefits to the REAP area. Requests for waivers should be submitted to the Administrator's office with a copy to the Specialty Lenders Division.

D. In response to the Presidential and Administration Special Initiatives such as the Pacific Northwest and Alaskan Tongas National Forest Economic Crisis, the National Office Reserves for the B&I Guaranteed, IRP, and RBEG programs include funds which can be used in Special Initiatives areas. All special initiatives set-aside funds must have an obligation date of no later than September 1, 2000, or funds will revert to regular program use. The following amounts are available for FY 2000:

Business and Industry Guaranteed Loan Program	\$40 Million
Intermediary Relending Program	\$3.2 Million
Rural Business Enterprise Grant Program	\$1.64 Million

By mutual agreement between the impacted States, the above amounts will be allocated in addition to their normal allocation, if applicable, for this Initiative in the following percentages:

<u>State</u>	<u>Percentage</u>
Oregon	33.5
Alaska	29.0
Washington	22.5
California	15.0

When a project is obligated using the National Office Reserve set-aside for this initiative, please e-mail a copy of the Project Information/Fund Request Sheet (page 21 of this attachment) to the Business Programs Deputy Administrator, Attention Sylvia Neal (sneal@urdev.usda.gov).

E. State allocations are made on an annual basis; however, the National Office receives apportionments of loan funds on a quarterly basis for loan programs. If States collectively request obligations greater than the amount apportioned for the quarters, there may not be sufficient funds to honor all obligations requested in a particular quarter. Obligations in excess of quarterly apportionment cannot be entered until the next quarter.

## II. State Allocations.

All allocations have been calculated in accordance with the methodology and formulas stated in §§ 1940.588 and 1940.589 of this instruction and are calculated as program amounts, not budget authority. The additional information provided here is coordinated with the format of the regulation.

### A. Business and Industry Guaranteed Loans.

#### 1. Program level available for allocation.

Amount available	\$850,000,000
Less earmark for EZ/EC and REAP	\$ 13,987,138
Less set aside for cooperatives	\$170,000,000
Less set aside for Federal Home Loan Bank	\$ 20,000,000
Less set aside for special initiatives	\$ 40,000,000
Less National Office Unrestricted Reserve	<u>\$ 85,000,862</u>
Formula allocation	\$521,012,000

2. Basic formula criteria, data source, and weight. The census information used in the formula is from the 1990 Census data of population and income.
3. Basic formula allocation. State allocations are shown on page 16 of this attachment.
4. Transition formula. Not used.
5. Base allocation. The amount of base allocation is \$2 million. States not receiving sufficient funds from the formula allocation process to meet the base will receive additional funds to meet this level.
6. Administrative allocation. Not used.
7. Un-Restricted Reserve. Funds will be allocated on a competitive monthly basis to States from the National Office Reserve for projects which best meet the Agency priorities according to funds available at the time of the request. **Highest priority projects must be funded with State allocations to the extent possible. Requests for National Office Reserve funding must be accompanied by a list of projects funded this fiscal year and those applications currently on hand. Information provided is to include date received, current status, and priority score, using the same format as shown on page 22 of this attachment. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to explain why this was done. A copy of Appendix C to RD Instruction 4279-B (see pages 34-36 of this attachment) should be attached to the request. All applications on the National Office Reserve list for FY 1999 were removed on October 1, 1999. No request for funding will be considered unless the project is ready to be obligated.**

Based on an analysis of last year's monthly funding cycles, it was determined that the minimum average priority score was 35 points (including any Administrator priority points) for projects that received National Office Reserve funding. Only requests for funding that have a priority score of 35 points or higher (including any awarded Administrator priority points) will be considered for funding cycles, except for the last monthly cycle in the fiscal year. Projects that score at least 25 points may be submitted, provided you determine the project constitutes consideration for Administrator priority points and such a request is made as part of the request forwarded to the National Office.

The State Director or designee may request funds from the Reserve by E-mailing pages 21 and 22 of this attachment to Lori Pittman (lpittman@urdev.usda.gov) with a copy to Dwight A. Carmon, Director (dcarmon@urdev.usda.gov), or Fred Kieferle (fkieferle@urdev.usda.gov), Processing Division.

The request must be **received** by the third Tuesday of the month in order to be considered for funding by the first Tuesday of the following month.

If you want the Administrator to consider the addition of Administrator discretionary points, complete the applicable section of the Projection Information/Fund Request Sheet.

Any projects funded from the National Office Reserve which are subsequently **deobligated** cannot be used for funding other projects within the State but instead must be returned to the National Office Reserve.

A portion of the National Office unrestricted reserve will be available on a quarterly apportionment schedule as follows:

First Quarter	40 Percent	\$34,000,344
Second Quarter	30 Percent	25,500,258
Third Quarter	20 Percent	17,000,172
Fourth Quarter	10 Percent	8,500,088

All States will be notified of the project selections. For projects not selected, States should contact the lenders to advise them and to determine if the lenders want the projects to be reconsidered in the next monthly funding cycle. States are responsible for notifying Lori Pittman of projects when the lenders do not want further funding consideration to be given in the next funding cycle; these projects will be removed from consideration.

8. Pooling of funds. Funds **not obligated** by close of business September 1, 2000, will revert to the National Office Reserve. **Any funds that are deobligated after close of business September 1, 2000, will revert to the National Office Reserve.** Pooled funds will be placed in the Reserve and made available to States on a competitive basis. States are to immediately notify the National Office of any de-obligations by sending a copy of Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation."

9. Certified Lenders Program (CLP). RD Instruction 4279-A, § 4279.43(f)(1), provides that a State may hold an amount in reserve, equal to the proposed loan, for a period of 30 days, pending receipt of the complete application from the CLP lender. It also provides that no guarantee authority will be held in Reserve the last 60 days of the Agency fiscal year. RD Instruction 4279-A, § 4279.43(f)(1), provides that the Agency will notify a CLP lender if there is sufficient guarantee authority for the CLP lender's proposed guaranteed loan request. National Office Reserve funds **may not** be requested for this purpose. Furthermore, the State **may not** request funds from the National Office Reserve if the State has funds outstanding which have been set aside for this purpose.

10. Funding for B&I Guaranteed Loans where the percentage of guarantee is in excess of 80 percent and for 1 percent guarantee fees. A limited amount of the annual allocation for the B&I Guaranteed Loan Program with a percentage of guarantee that exceeds 80 percent will be available.

Where the percentage of guarantee will exceed 80 percent, all requests for authority to approve loans must be E-mailed, in advance of reserving or obligating funds, to Lori Pittman (lpittman@urdev.usda.gov), Business Programs Processing Division, with an E-mail copy to the Director (dcarmon@urdev.usda.gov), Business Programs Processing Division. Requests for guarantees in excess of 80 percent must be received by the third Tuesday of the month to be processed by the first Tuesday of the following month. Not more than 15 percent of the total national appropriation of B&I funding authority will be available for guarantees in excess of 80 percent. Of this total, the apportionment of funding available will be made on a quarterly basis as follows:

First Quarter	40 Percent	\$51,000,000
Second Quarter	30 Percent	\$38,250,000
Third Quarter	20 Percent	\$25,500,000
Fourth Quarter	10 Percent	\$12,750,000

A similar schedule regarding the approval of loans with a 1 percent versus a 2 percent guarantee fee, in RD Instruction 4279-B, § 4279.107, is instituted. Where the guarantee fee will be 1 percent, all requests for authority to approve loans must be submitted, in advance of reserving or obligating funds, to Lori Pittman (lpittman@urdev.usda.gov), Business Programs Processing Division, with an E-mail copy to the Director (dcarmon@urdev.usda.gov), Business Programs Processing Division, in accordance with the provisions of RD Instruction 4279-B, § 4279.107(b). Requests for

a 1 percent guarantee fee must be received by the third Tuesday of the month to be processed by the first Tuesday of the following month. Not more than 7 percent of the total national appropriation of B&I funding authority will be available for loans with a 1 percent guarantee fee. Of this total, apportionment of the funding available will be made on a quarterly basis as follows:

First Quarter	40 Percent	\$23,800,000
Second Quarter	30 Percent	\$17,850,000
Third Quarter	20 Percent	\$11,900,000
Fourth Quarter	10 Percent	\$ 5,950,000

A Federal Register document announcing these restrictions was published on November 30, 1999 (64 FR 66875).

11. Cooperative Assistance Set Aside. There will be a set aside of \$170,000,000 of the B&I Guaranteed Loan Program National Office Reserve for obligation of loans to cooperatives. This will only affect the National Office Reserve and will not impact the normal State Office allocation. Many cooperatives are incorporated; therefore, you must be sure the RCFTS applicant type is code 4 to report the assistance to the cooperatives even though the name of the business may indicate the business is incorporated. **You may not be given credit for assistance to cooperatives unless you properly code such assistance in RCFTS.** Any of the funds set aside for this purpose which have **not been obligated** by June 30, 2000, will be available for normal funding of B&I Guaranteed Loans from the National Office Reserve. Requests for funding from the \$170,000,000 set aside may be made at any time and will be approved on a first-come first-served basis; however, **priority within the set aside will be given to projects involving small or limited-resource farmer-owned value-added cooperatives.**

12. Federal Home Loan Bank System Set Aside. There will be a \$20,000,000 National Office Reserve set aside for obligation of loans made under the MOU between the Federal Home Loan Bank System and the Rural Development Mission Area (see RD Instruction 2000-III). Loans made under this authority are to be processed under provisions of the MOU and RD Instructions 4279-A and B, with provisions of the MOU taking precedence. A request for funds under this set aside should be E-mailed to Lori Pittman (lpittman@urdev.usda.gov), Business Programs Processing Division, with an E-mail copy to the Director, Business Programs Processing Division (dcarmon@urdev.usda.gov). Page 21 of this attachment will serve as the request. Any of the funds set aside for this purpose which have not been obligated by September 1, 2000, will be available for normal funding of B&I Guaranteed Loans from the National Office Reserve.

13. Empowerment Zones/Enterprise Communities (EZ/EC) and Rural Economic Area Partnerships (REAP). Earmarked funds of \$13,987,138.26 will be available from the B&I Guaranteed Loan Program National Office Reserve for obligation of these loans. This will only affect the National Office Reserve and will not impact the normal State Office allocation. Any of the funds earmarked for this purpose which have **not been obligated** by June 30, 2000, will be available for normal funding of B&I Guaranteed Loans from the National Office Reserve. Requests for funding from the \$13,987,138.26 earmark may be made at any time and will be approved on a first-come first-served basis.

B. Business and Industry Direct Loans.

The B&I Direct Loan Program was authorized on the basis that there were certain under-served segments of the population and rural areas of the country suffering fundamental physical and economic stress which meet the mission area target objectives. Examples include but are not limited to special initiatives, areas of long-term population decline or persistent poverty, EZ/EC and REAP areas, Champion Communities, or an area identified as a priority area in the State Strategic Plan. It is essential that each direct loan approved include a justification supporting the fact that the loan provided relief to such a condition.

1. Program level available for allocation.

Amount available	\$50,000,000
Less National Office reserve	5,000,000
Formula allocation	\$45,000,000

2. Basic formula criteria, data source, and weight. The census information used in the formula is from the 1990 Census data of population and income.

3. Basic formula allocation. State allocations are shown on page 17 of this attachment.

4. Transition formula. Not used.

5. Base allocation. The amount of base allocation is \$500,000. States not receiving sufficient funds from the formula allocation process to meet the base will receive additional funds to meet this level.

6. Administrative allocation. Not used.

7. Interest Rate Penalty. There will be an interest rate penalty for B&I Direct Loans when prime farmland is utilized. The penalty is 2 percent above the published rate.

8. Reserve. The State may request funds **at any time** from the Reserve by E-mailing Lori Pittman (lpittman@urdev.usda.gov) and copying Dwight A. Carmon, Director (dcarmon@urdev.usda.gov) or Fred Kieferle (fkieferle@urdev.usda.gov). The request should be accompanied by the score sheet (Appendix J of RD Instruction 1980-E, pages 32-33 of this attachment) and a Project Information/Fund Request sheet (see page 21 of this attachment).

9. Pooling of funds. Funds **not obligated** by June 30, 2000, will revert to the National Office Reserve. Pooled funds will be placed in the Reserve and made available to States on a competitive basis.

C. Rural Business Enterprise Grants (RBEG).

1. Program level available for allocation.

Amount available	\$34,664,000
Less earmark for EZ/EC and REAP	\$ 7,000,000
Less Passenger Transportation	\$ 500,000
Less Special Initiatives	\$ 1,640,000
Less TV Demonstration	\$ 2,000,000
Less National Office Unrestricted Reserve	\$ 1,466,000
Basic formula amount	\$22,058,000

2. Certain projects were identified in the House, Senate, and Conference appropriations reports. A listing of these projects will be provided at a later date. States are encouraged to work with these entities. These projects should be considered along with all other projects on hand and will compete for the available funding. Each State must determine their priorities consistent with selection criteria outlined in the regulation for utilizing its allocations. Any project funded must be for an eligible purpose under the RBEG program.

3. Television Demonstration Grants (TV Demo). There is \$2 million held in the National Office Reserve for funding TV Demo projects. TV Demo funding may be made to Statewide projects servicing 90 percent of the State population and no less than 80 percent of the rural land area of the State. The applicant must be a private nonprofit public television system.



States currently eligible to receive TV Demo funding are: Alaska, Maine, North Dakota, Oregon, and Vermont. The applicant must provide information on agriculture and other issues of importance to farmers and other rural residents.

Applications for TV Demo projects should be received in the National Office no later than March 31, 2000, for competition with other eligible TV Demo projects.

4. Transportation. There is a \$500,000 earmark held in the National Office Reserve for the purpose of providing technical assistance for public transportation. A notice will be published in the Federal Register by early calendar year 2000 inviting preapplications and establishing a time schedule for accepting and processing the preapplications.

5. Basic formula criteria, data source, and weight. The census information used in the formula is from the 1990 Census data on population and income.

6. Basic formula allocation. State allocations are shown on page 18 of this attachment.

7. Transition formula. Not used.

8. Base allocation. The amount of base allocation is \$50,000.

9. Administrative allocation. Not used.

10. Reserve. Funds will be allocated to the States for projects which best meet Agency priorities and according to funds available at the time of the request. **Highest priority projects must be funded with State allocations.** No request for funding will be considered unless the project is ready to be obligated.

There will be two funding cycles from the National Office Reserve. Approximately one-half of eligible National Office Reserve RBEG funds will be available for the first funding cycle (see page 20 of this attachment for funding cycle information). In order to compete in the first funding cycle, all funds allocated to a State must be **committed or obligated**. The State may set aside up to 20 percent of its RBEG allocation to transfer to other eligible RCAP programs.

**All other funds must be obligated in order for the State to be eligible to compete for the first funding cycle.** However, for the final National Office Reserve cycle, all remaining funds must be obligated in order to be eligible for the final National Office Reserve cycle. All State-allocated funds **must** have an obligation date of no later than **June 30, 2000**, or transferred under RCAP authority before June 30, 2000.

Requests for National Office Reserve funding must be accompanied by the score sheet (pages 27-30 of this attachment), a Project Information/ Funding Request sheet (page 21 of this attachment), and a State project list (page 19 of this attachment). The requests will be E-mailed to Amy Cavanaugh (acavanau@urdev.usda.gov), Specialty Lenders Division, after the docket has been developed to the point where the grant can be approved upon notification that funds are available. Multi-State projects will be considered for funding from the National Office Reserve.

**Consideration will not be given to requests received in the National Office after the dates indicated on page 20 of this attachment listing funding cycles for FY 2000.** All applications on the National Office Reserve list for FY 1999 were removed on October 1, 1999. Should the State Office determine that those projects are still viable, they may use their State allocation to fund the projects, or, if the State allocation has been committed for higher scoring projects, the State Office may resubmit the requests for competition.

11. Pooling of funds. **Funds must have an obligation date of no later than June 30, 2000** or they will revert to National Office control for redistribution in accordance with requests from State Directors, utilizing Section C of Attachment 1 of RD Instruction 1942-G.

Exhibit A, Attachment 1, Pages 16 through 20 not automated see Manual

**Rural Business-Cooperative Service  
Business Programs**

**PROJECT INFORMATION/FUND REQUEST SHEET**

Program: \_\_\_\_\_

Project Name and Location: \_\_\_\_\_  
\_\_\_\_\_

Funding                      National Office-\$ \_\_\_\_\_      State Office-\$ \_\_\_\_\_

Source of Funding:      State Funding \_\_\_\_\_      National Reserve \_\_\_\_\_      EZ/EC \_\_\_\_\_  
                                 REAP \_\_\_\_\_      PNW/Alaskan Initiative \_\_\_\_\_  
                                 Transportation \_\_\_\_\_      FHLB \_\_\_\_\_      Cooperative \_\_\_\_\_

Terms:                      1% Fee \_\_\_\_\_                      1% EZ/EC Fee \_\_\_\_\_  
                                 90% Guarantee \_\_\_\_\_                      1% Fee & 90% Guarantee \_\_\_\_\_

Administrator Discretionary Points:      Yes \_\_\_\_ (explain)      No \_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Leveraging (Supplemental Financing)

Amount: \_\_\_\_\_      From: \_\_\_\_\_  
Amount: \_\_\_\_\_      From: \_\_\_\_\_

Category:                      Technical Assistance \_\_\_\_\_      Revolving Loan Fund \_\_\_\_\_  
                                 Business Incubator \_\_\_\_\_      Other Business Dev. \_\_\_\_\_  
                                 Working Capital \_\_\_\_\_      Machinery & Equip. \_\_\_\_\_  
                                 Real Estate \_\_\_\_\_      Debt Refinancing \_\_\_\_\_  
                                 Miscellaneous Programs \_\_\_\_\_

Number of Jobs Created/Saved:      Created \_\_\_\_\_      Saved \_\_\_\_\_  
Number of Businesses Assisted:      Number \_\_\_\_\_      Comments: \_\_\_\_\_

\_\_\_\_\_  
Senators: \_\_\_\_\_      Representative: \_\_\_\_\_      District Number: \_\_\_\_\_

Description of  
Project:

\_\_\_\_\_  
\_\_\_\_\_

**BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM**

**NATIONAL OFFICE RESERVE PRIORITY PROJECT SCORING INFORMATION SHEET**

**Projects Obligated in Fiscal Year 2000 to Date**

Per RD Instruction 1940-L, Exhibit A, Attachment 1, page 8, "Highest priority projects must be funded with State allocations to the extent possible."

A listing of all applications on hand indicating the date each was received, current status, priority score, and a brief explanation of why it was funded in the order in which it was presented or has not yet been funded is to be provided. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to provide an explanation of why this was done.

A copy of Appendix C of RD Instruction 4279-B should be attached to the memorandum.

Name	Priority Score	Amount	Date Application Received	Date Obligated
------	-------------------	--------	------------------------------	-------------------

**Projects Requested to be Obligated from the National Office Reserve:**

Name	Priority Score	Amount	Date Application Received
------	-------------------	--------	------------------------------

If a project with a lower priority score was funded ahead of a project with a higher priority score, provide an explanation of why this was done.

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If Administrator's priority points are being requested, provide an explanation why such points should be considered

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## ENDORSEMENT CHECKLIST FOR THE CAIP FINANCE COMMITTEE

**Borrower/Entity Type:** (Name of entity goes here).

**Location:** City, State, (County)

**Area Eligibility:** [You need to choose the correct description of why the area is eligible. In some cases you will need to access data on the Internet and fully discuss why the area is eligible. You should use some variant of ONE of the following three statements. The Finance Committee requires a certification that the area where the borrower will be applying the loan proceeds is eligible for USDA under the CAIP. Beale Codes are at: <http://www.econ.ag.gov/briefing/rural/codes/rucc.htm>. Unemployment data are available at: <http://cali.sppsr.ucla.edu/NADBANK/index.cfm>.]

This area has a rural Beale (Rural-Urban Continuum) Code and is an eligible area designated by the Finance Committee.

This county has an urban Beale Code, but the area in which the new facility [substitute the right description] is being constructed is eligible for B&I loans and the county has an unemployment rate of \_\_\_ percent, which is at least 1 percent over the national average.

This county has an urban Beale Code, but the area in which the new facility [substitute the right description] is being constructed is eligible for B&I loans and the Local Area Unemployment Statistics (LAUS) of the U.S. Department of Labor shows an unemployment rate of \_\_\_ percent for the immediate \_\_\_\_ [locality or census tract], which is at least 1 percent over the national average.

**Amount/Rate/Term:** \$(full \$ amount of loan) at \_\_% (variable rate, Wall Street Journal Prime (or other benchmark) for \_\_ years)

**Case number:** (Case number as assigned by State Office)

**Loan Purpose:** Loan funds will be used to .... (describe this in detail, as in loan application, BUT include:

- any compelling reason for RBS and CAIP to pay the loan guarantee,
- high unemployment rates in area,
- putting a viable but endangered business on a sound footing,
- if business will close imminently,
- if area has been highly impacted by NAFTA and what was the impact,
- extent of importance of business to the economy of the area (describe),
- high quality jobs with needed "living wage" jobs for area families, if that is the case, or even low wage "jobs" in an area with very high unemployment.

**SIC Code:** (4 digits. Please indicate 6- digit NAICS code if you know it.)

**Percent guaranteed:** \_\_\_% requested by lender and approved by the Agency .

**Guarantees/backing:** Personal guarantee(s) of: (name(s) and \$ amount(s), and some indication of personal net worth(s) to lend some credibility to the guarantee(s))

**Source/Use of proceeds :** [It is desired here that you reflect the overall scope of the project and the partnering between different sources of funding, not simply the B&I portion. Two formats are shown: The first is for a simple financing structure with minimal amounts contributed by the borrower or other entities. The second format is the one the Finance Committee prefers when there is any significant partnering. This shows uses on the left and the different sources as the column headings to show how much from the different entities goes toward each element of financing. Use the structure which makes sense for your loan, bearing in mind that the willingness of other entities to invest may influence the decision by the Finance Committee. PLEASE DON'T USE BOTH FORMATS.]

(Format 1)

<b>Uses:</b>		<b>Sources:</b>	
Land and Buildings	_____	CAIP Loan	_____
Machinery & equipment	_____		Partner
entity source 1	_____		
Working Capital	_____	Borrower Funds	_____
Debt Restructuring	_____	Other funds	_____
Etc.	_____		
<b>TOTAL</b>	<b>\$ _____</b>		

(Format 2)

<b>Uses:</b>	<b>CAIP Loan:</b>	<b>Borrower:</b>	<b>Locality:</b>	<b>Entity "A":</b>	<b>Entity "B":</b>
Land:	\$ 0	\$ 50,000	\$100,000		
Buildings:	150,000	25,000		\$100,000	
Machinery & equipment:	100,000				
Debt Restructuring:	25,000				\$10,000
Working capital:	75,000	275,000			
Guarantee/other fees:	7,200				
<b>Totals:</b>	<b>\$357,200</b>	<b>\$350,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$10,000</b>
<b>Total project cost:</b>	<b>\$917,200</b>				

(In this hypothetical example, the borrower contributed land they already owned (land having a discounted value of \$50,000), and the local government, in order to attract jobs to the community, contributed an adjoining parcel of land worth \$100,000. The CAIP loan financed \$150,000 of new construction, the borrower contributed a usable building already on the land worth \$25,000, and the county development authority contributed financing of \$100,000. In terms of debt restructuring, CAIP refinanced \$25,000 of existing indebtedness, and the existing lender forgave \$10,000 of the debt in return for the prompt payment. In actuality, total project financing may have multiple lenders, including local utilities, REDLG loans, etc. One FY 1999 loan had 7 separate funding sources.)

**Collateral summary:** The loan will be secured with (describe the collateral). The total discounted net collateral value is \$\_\_\_\_\_.

**Tangible balance sheet equity:** As an existing business, this business meets the \_\_\_% tangible balance sheet equity requirement. The Proforma at loan closing shows \_\_\_% equity.

**Loan to job ratio/ income range of jobs:** Loan to job - \$\_\_\_\_\_ (loan amt)/ \_\_\_ (#)jobs = \$\_\_\_\_\_ per job.  
guaranteed portion to job - \$\_\_\_\_\_ (loan amt) X 80% guaranteed =  
\$\_\_\_\_\_/\_\_\_ jobs = \$\_\_\_\_\_ per job. Wages average about \$\_\_\_\_\_ per hour.

**Lender name/location:** \_\_\_\_\_



**Guarantee Fee:** \$\_\_\_\_\_ (loan amt) X 80% guaranteed X .02 = \$\_\_\_\_\_ to be paid by lender.

**Subsidy needed:** \$\_\_\_\_\_ (loan amt) X .0328(for FY 2000) =\$\_\_\_\_\_

**Total BA required** \$\_\_\_\_\_ (\$\_\_\_\_\_ / \_\_\_\_ jobs = \$\_\_\_\_\_ per job)  
**and BA per job:**

**Recommended:**

\_\_\_\_\_  
**WILLIAM F. HAGY III**  
**Deputy Administrator, Business Programs**

**Concur:**

\_\_\_\_\_  
**DAYTON J. WATKINS**  
**Administrator**  
**Rural Business-Cooperative Service**

**CHAIR**

**DATE**

**APPROVED BY VOTE OF THE FINANCE COMMITTEE:**

\_\_\_\_\_  
**Agriculture** YES [ ]  
NO [ ]

\_\_\_\_\_  
**Treasury** YES [ ]  
NO [ ]

\_\_\_\_\_  
**Small Business Administration** YES [ ]  
NO [ ]

[Note: Please provide this Endorsement Checklist to Steve Levy as an e-mail attachment to accelerate processing. Valid e-mail addresses are: [levysteve@mail.com](mailto:levysteve@mail.com) and [steve.levy@usda.gov](mailto:steve.levy@usda.gov).

**Revised Guide for Recommending Administrative Points  
FOR FISCAL YEAR 2000 IRP APPLICATIONS**

Applicant: \_\_\_\_\_

State: \_\_\_\_\_

**Administrative Point Criteria**

	<i>(Points)</i>	<b>Score</b>
1. <u>Assuming there is adequate documentation of need for the amount requested, applications for \$500,000 or less:</u>	<u>4 pts</u>	_____
2. <u>A particularly successful business development record and/or excellent utilization of a previous IRP loan:</u>	<u>4 pts</u>	_____
3. <u>A service area with no other IRP coverage:</u> (Disregard coverage by multi-State intermediaries or intermediaries that specialize in indirect business-related financing, such as only loans for water/sewer or for transportation.		
No coverage:	<u>15 pts</u>	_____
Some:	<u>5 pts</u>	_____
4. <u>A service area with severe economic problems:</u> Such as communities that have remained persistently poor over the last 60 years or have experienced long-term population decline or job deterioration.	<u>5 pts</u>	_____
5. <u>A service area with emergency conditions caused by a natural disaster or loss of a major industry:</u>	<u>2 pts</u>	_____
6. <u>A work plan that is in accord with a strategic plan:</u> Particularly a plan prepared as part of a request for an Empowerment Zone/Enterprise Community designation or Champion Community:	<u>5 pts</u>	_____

Any combination may be used up to the maximum of 35 points.

Total Administrative Points Awarded: \_\_\_\_\_



Section C

Rural Business Enterprise and Television Demonstration Grant Program  
Project Selection Criteria

Project Score \_\_\_\_\_

Name of Applicant \_\_\_\_\_

State \_\_\_\_\_ County \_\_\_\_\_

Grant \$ \_\_\_\_\_ Initial or Subsequent \_\_\_\_\_

Amount of previous FmHA funding for this project \$ \_\_\_\_\_

Purpose: Revolving Fund: ☐ Technical Assistance: ☐

Industrial Site: ☐ Other Business Development: ☐

Brief description of the proposed facility:

---

---

Priorities

Points

A. Population.

Proposed project is located in a rural  
community having a population:

Between 15,000 and 25,000	5
Between 5,000 and 15,000	10
Under 5,000	15

(08-20-92) SPECIAL PN

(02-16-00) PN 316

B. Economic conditions.

1. Proposed project will be located in areas where the unemployment rate exceeds the State unemployment rate by:

- |                                     |    |
|-------------------------------------|----|
| a. 25 percent or more               | 20 |
| b. less than 25 percent             | 10 |
| c. equal to or less than State rate | 0  |

2. Proposed project will be located in areas where the median household income (MHI) of the population to be served by the proposed facility is:

- |   |    |
|---|----|
| a. Less than the poverty line for a family of four as prescribed by Section 673 (2) of the Community Services Block Grant Act (42 U.S.C. 9902 (2)). | 25 |
| b. More than the poverty line and less than 85 percent of the State's MHI.  | 15 |
| c. More than the poverty line and between 85 percent and 100 percent of the State's MHI.  | 10 |
| d. Equal or greater than State MHI.   | 0  |

C. Experience. Applicant has substantial experience in administering a rural economic development program. 15

D. Other.

1. Applicant has written evidence of commitment from small business that small business development will occur by startup or expansion as a result of the grant. 25

2. Grant request contains evidence that a substantial commitment of funds from nonfederal sources for proposed project is:

- |  |    |
|--|----|
| a. more than 50 percent                          | 15 |
| b. more than 25 percent and less than 50 percent | 10 |
| c. between 5 percent and 25 percent              | 5  |

3. For grants to establish a revolving fund, or grant request contains proposed third party recipients. 25

4. The proposed project will create and/or save jobs at:
- a. one job per each \$10,000 or less in grant funds expended 10
  - b. one job per each \$25,000 to \$10,000 in grant funds expended 5
5. Proposed project is consistent with, and is reflected in, local plans for the area. 5
6. Grant projects utilizing funds available under this subpart are:
- a. less than \$100,000 25
  - b. \$100,000 to \$200,000 15
  - c. more than \$200,000 to \$500,000 10
7. Grant for television demonstration programs contains justification for a need for the information to be provided through the project is provided. 25
- E. Discretionary points for initial grants of not more than \$500,000 (up to 50). Give written justification. —
- 
- 
- 

\_\_\_\_\_  
Chief, Community and Business Programs

\_\_\_\_\_  
Date

Directions: Complete the information requested on Page 16 of this Attachment. In paragraphs A-D of Section C, circle the points for those priorities which apply to, and are met by, the preapplication under consideration. Determine and justify the number of discretionary points, if any, to be awarded in paragraph E of Section C of this Attachment and add up the total number of points scored.

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RD Instruction 1940-L  
Exhibit A, Attachment 1  
Page 30

Rural Business-Cooperative Service  
FY 2000

RD Instruction 1942-G  
Attachment 1  
Page 20

TO: Administrator, FmHA  
Washington, DC 20250

Attention: \_\_\_\_\_ Community Facilities Division

State: \_\_\_\_\_

Name of  
Applicant: \_\_\_\_\_

A. Amount of additional funds requested: Grant \$\_\_\_\_\_

B. State the priority of this project in relation to all others on hand at the time of submission to the National Office. (Attach a revised priority listing for previously submitted projects, if necessary.) \_\_\_\_\_

C. Is this project ready for obligation? \_\_\_\_Yes \_\_\_\_ No.  
If no, give estimated date project will be ready for obligation of funds.  
\_\_\_\_\_

D. If other funds are involved in this project, have they been committed?  
\_\_\_\_Yes \_\_\_\_No.

\_\_\_\_\_  
State Director

\_\_\_\_\_  
Date

Directions: To request an allocation of funds from the National Office, State Offices should complete this part of Attachment 1, Section C, attach it to the project selection criteria, and submit both to the National Office.



*PRIORITY SCORE - RBOG APPLICATION*

*Name of Applicant:* \_\_\_\_\_

*State:* \_\_\_\_\_

*(a) Sustainable Economic Development* *Points* \_\_\_\_\_

*(b) Quality of Economic Activity* *Points* \_\_\_\_\_

*(c) Leveraging* *Points* \_\_\_\_\_

*(d) (1) Natural Disaster* *Points* \_\_\_\_\_

*(2) Military Base/Employer* *Points* \_\_\_\_\_

*(3) Long term poverty* *Points* \_\_\_\_\_

*(4) Long term population Loss* *Points* \_\_\_\_\_

*(5) Long term Job Loss* *Points* \_\_\_\_\_

*Subtotal* *Points* \_\_\_\_\_

*(e) Best Practice* *Points* \_\_\_\_\_

*(f) State Director Discretionary* *Points* \_\_\_\_\_

***TOTAL*** ..... \_\_\_\_\_

*Administrator Discretionary* *Points* \_\_\_\_\_

***GRAND TOTAL*** ..... \_\_\_\_\_

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(01-24-00) SPECIAL PN

(02-16-00) PN 316

BUSINESS AND INDUSTRY  
APPLICATION PRIORITY POINTS SCORING

Date:

Name \_\_\_\_\_

State \_\_\_\_\_

List the maximum points the applicant is eligible for under each category.

Jobs created \_\_\_\_\_ Jobs saved \_\_\_\_\_ Total jobs \_\_\_\_\_  
Loan amount \$\_\_\_\_,\_\_\_\_,\_\_\_\_ Index factor \_\_\_\_\_  
State income \$\_\_\_\_,\_\_\_\_ Indexed State income \$ \_\_\_\_ ,\_\_\_\_  
National unemployment \_\_\_\_ .\_% Area unemployment \_\_\_\_ .\_%

1. Location:

- A. Located in city or area under 25,000. (10 points) \_\_\_\_\_
- B. Located in city or area under 25,000 population  
which is a high unemployment area. (20 points) \_\_\_\_\_
- C. Located in a high unemployment area and the  
borrower has certified that at least 25 percent  
of its employees will be displaced farmers.  
(35 points) \_\_\_\_\_

2. Jobs:

- A. Project will contribute to the overall economic  
stability of the area and generate employment  
beyond entrepreneur's household. (10 points) \_\_\_\_\_
- B. Project will contribute to the overall economic  
stability of the area and provide significant  
employment in the area. (20 points) \_\_\_\_\_
- C. Project will contribute to the overall economic  
stability of the area, provide significant full-  
time employment in the area, and retain a  
significant number of jobs in the area.(35 points) \_\_\_\_\_

3. Job cost: [See RD Instruction 1980-E. §1980.451  
(d)(3)(iii), for calculation instructions]

- A. Job cost score greater than 1.5 but less than  
2.0. (5 points) \_\_\_\_\_
- B. Job cost score from 1.0 to 1.5. (15 points) \_\_\_\_\_
- C. Job cost score less than 1.0. (25 points) \_\_\_\_\_

RD Instruction 1980-E  
Appendix J  
Page 2

4. Additional points: [Give points for each criteria met]

A. Loan is less than 50 percent of project cost.  
(5 points) \_\_\_\_\_

B. Percentage of guarantee is 10 or more percentage  
points less than the maximum allowable. (5 points) \_\_\_\_\_

C. Project will create a significant number of part-  
time or seasonal jobs in addition to permanent  
full-time jobs. (10 points) \_\_\_\_\_

5. State Director's administrative points: (May be up to  
20 points but documentation must support the number  
given)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Total points \_\_\_\_\_

Is applicant eligible for veteran preference?\_\_\_\_\_

Date served:\_\_\_\_\_ to\_\_\_\_\_

\_\_\_\_\_  
State Director

THE FOLLOWING TO BE COMPLETED BY THE NATIONAL OFFICE ON  
APPLICATIONS SUBMITTED TO THE NATIONAL OFFICE:

Administrator's administrative points: (May be up to  
20 points but documentation must support the number  
given)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Total points \_\_\_\_\_

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*BUSINESS AND INDUSTRY  
APPLICATION PRIORITY POINTS SCORING*

Name \_\_\_\_\_ Date: \_\_\_\_\_

State \_\_\_\_\_

List the maximum points the applicant is eligible for under each category.  
See § 4279.155 of this subpart for information on how to determine points.

1. Population priority.

Located in an unincorporated area or in a city with under 25,000  
population. (10 points) \_\_\_\_\_

2. Community priority.

A. Located in an eligible area of long term population decline  
and job deterioration based on reliable statistical data.  
(5 points) \_\_\_\_\_

B. Located in a rural community that has remained persistently  
poor over the last 60 years. (5 points) \_\_\_\_\_

C. Located in a rural community that is experiencing trauma as  
the result of a natural disaster or experiencing fundamental  
structural changes in its economic base. (5 points) \_\_\_\_\_

D. Located in a city or county with an unemployment rate 125  
percent of the statewide rate or greater. (5 points) \_\_\_\_\_

3. Empowerment Zone/Enterprise Community (EZ/EC). (Cannot exceed a  
total of 10 points).

A. Located in EZ/EC designated area. (10 points) \_\_\_\_\_

B. Located in a non-designated EZ/EC applicant community.  
(5 points) \_\_\_\_\_

RD Instruction 4279-B  
Appendix C  
Page 2

4. Loan features.

A. Lender will price the loan at the Wall Street Journal published Prime Rate plus 1.5 percent or less. (5 points) \_\_\_\_\_

B. Lender will price the loan at the Wall Street Journal published Prime Rate plus 1 percent or less. (5 points) \_\_\_\_\_

C. The Agency guaranteed loan is less than 50 percent of project cost. (5 points) \_\_\_\_\_

D. Percentage of guarantee is 10 or more percentage points less than the maximum allowable for a loan of its size. (5 points) \_\_\_\_\_

5. High impact business investment priorities (Total score for the following three categories:

A. Industry.

(i) Industry that has 20 percent or more of its sales in international attractions. (5 points) \_\_\_\_\_

(ii) Industry that is not already present in the community. (5 points) \_\_\_\_\_

B. Business.

(i) Business that offers high value, specialized products and services that command high prices. (2 points) \_\_\_\_\_

(ii) Business that provides an additional market for existing local businesses. (3 points) \_\_\_\_\_

(iii) Business that is locally owned and managed. (3 points) \_\_\_\_\_

(iv) Business that will produce a natural resource value-added product. (2 points) \_\_\_\_\_

*C. Occupations (Cannot exceed 10 points).*

*(i) Business that creates jobs with an average wage  
exceeding 125 percent of the Federal minimum wage.  
(5 points)* \_\_\_\_\_

*(ii) Business that creates jobs with an average wage  
exceeding 150 percent of the Federal minimum wage.  
(10 points)* \_\_\_\_\_

*6. State Director's administrative points: (May be up to  
10 points). Attach justification.* \_\_\_\_\_

*Total points* \_\_\_\_\_

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Title*

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*PRIORITY SCORESHEET*

*Applicant:* \_\_\_\_\_

*State:* \_\_\_\_\_

*List the maximum points the applicant is eligible for in each category, in accordance with § 4274.344(c) of this Instruction.*

*(1) Other Funds:*

*(i) Outside loan and grant funds.*  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*(ii) Intermediary funds.*  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*Total other funds points (Max. 25).....*\_\_\_\_\_

*(2) Employment:*

*(i) Updated median household income, service area*\_\_\_\_\_  
*Poverty line, family of four* \_\_\_\_\_  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*(ii) Income within State.*  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*(iii) Unemployment rate, service area*\_\_\_\_\_  
*Unemployment rate, National*\_\_\_\_\_  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*(iv) Low-income families*  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*(v) Underrepresented groups*  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*(vi) Outmigration*  
*Percent*\_\_\_\_\_ *Points*\_\_\_\_\_

*Total employment points (Max.90).....*\_\_\_\_\_

(02-06-98) SPECIAL PN

(02-16-00) PN 316

RD Instruction 1940-L  
Exhibit A, Attachment 1  
Page 38

Rural Business-Cooperative Service  
FY 2000  
Intermediary Relending Program

RD Instruction 4274-D  
Exhibit C  
Page 2

(3) <i>Intermediary contribution:</i> Percent_____	<i>Points (Max. 50).....</i> _____
(4) <i>Experience:</i> Years_____	<i>Points (Max. 30).....</i> _____
(5) <i>Community representation:</i> Percent_____	<i>Points (Max. 15).....</i> _____
(6) <i>Administrative:</i>	<i>Points (Max. 35).....</i> _____
<i>TOTAL POINTS.....</i> _____	

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RURAL HOUSING SERVICE  
RURAL COMMUNITY ADVANCEMENT PROGRAM AND RURAL HOUSING ASSISTANCE GRANTS

I. General.

A. The appropriations act for fiscal year (FY) 2000 funded the Rural Community Advancement Program (RCAP) and the Rural Housing Assistance Grants (RHAG). All of the Community Facilities (CF) funds are included in RCAP. The housing grant programs, except for section 523 Mutual and Self Help Technical Assistance grants and section 521 Rental Assistance, are included in RHAG. The Administrator has allocated RCAP and RHAG budget authorities into program funds as provided in part II, subparts A, B, and C of this attachment. Each dollar of budget authority may support a different program level dependent upon whether it is a loan or grant program and the nature of the program. Program authorities are discussed in part II, subparts A, B, and C of this attachment.

B. RCAP and RHAG provide flexibility for transfers in budget authority between programs. Because of the way the funds control system is currently configured, the National office will have to make these transfers.

To ensure adequate processing time, requests for transfer of funds should be submitted to the appropriate program areas in the National office by August 1, 2000. In an effort to keep down the considerable burden of making these transfers, each State is limited to no more than two transfers during the year.

The following factors should be considered when requesting the Administrator's concurrence to transfer funds: (1) all viable applications on hand in the program from which funds are proposed for transfer have been obligated; (2) there are insufficient funds available in the receiving program to fund the application; (3) there is not a backlog of applications on hand in the program from which funds are proposed for transfer and funds cannot be made available from the National office reserve to make up the deficiency; and (4) the population and per capita income of the community that would benefit from the project are equal to or less than that of a community that would benefit from the donor program based on the State's applications on hand.

The transfer of funds between direct, guaranteed, and grant should be based on sound judgment and the State's strategic plan.

1. RCAP transfers. For FY 2000, the CF guaranteed loan program has a negative subsidy rate. Therefore, it will not be possible to transfer budget authority into or out of the guaranteed loan program. Due to the demand for CF grant program funds, State Directors may transfer budget authority into, but not out of, that program. State Directors may transfer up to 25 percent of their initial allocations of CF direct loan fund budget authority into CF grants.

The impact of transferring funds is dependent on the loan subsidy factors established for the year. Since there is no subsidy factor for grants, the budget authority for all grant programs is the same as the program level. The subsidy factor for CF direct is .0606. States should use their own initial allocations to determine maximum transfer amounts. Rounding should be to the next LOWER whole dollar amount. The impact of transfers is shown in the following example:

Maximum transfer of CF direct loan to CF grant:

\$750,000 - Initial direct loan allocation  
187,500 - 25 percent of allocation  
     $\$187,500 \times .0606 = \$11,362$   
\$ 11,362 - Grant allocation increase

2. RHAG transfers. For FY 2000, State Directors will have the flexibility to transfer their initial allocations of budget authority between the section 504 Rural Housing Grant program and the section 533 Housing Preservation Grant (HPG) program when funds allocated under the HPG program are uncommitted after receipt of HPG applications. RHAG transfers cannot be considered until the last day for applicants to file HPG applications in order to allow time to determine if funds are available for transfer.

C. Public notification. State Directors are encouraged to notify nonprofit and public agencies of the availability of RHS loan and grant funds.

D. Empowerment Zone (EZ), Enterprise Community (EC) and Rural Area Partnership (REAP) Zone Earmark. The appropriations act provided an earmark of \$2,106,000 in the RCAP programs, \$11,180,000 for Rural Housing Insurance Fund (RHIF) programs, \$1,000,000 for section 523 Mutual and Self-Help and Technical Assistance grants and \$1,200,000 in the RHAG programs for EZ, EC and REAP communities. See part II, subpart A of this attachment for RCAP, part II, subparts B and C of this attachment for RHIF programs, and part II, subpart B of this attachment for RHAG.

E. Underserved counties and colonias. The Cranston-Gonzalez Affordable Housing Act requires RHS to set aside 5 percent of its Rural Housing funds for the "100 Underserved Areas and Colonias." The top 100 counties, as listed on pages 4 and 5 of this part, are eligible for these funds. These funds have been set aside as follows:

SFH direct 502 loans:	\$55,000,000
SFH direct 504 loans:	\$1,620,000
SFH direct 504 grants:	\$1,250,000
MFH direct 515 loans:	\$5,716,104

1. Indian Country. When a county on the list is associated with Indian Country, the entire Indian Country area is eligible even though it crosses into one or more additional counties. Indian Country is defined as land inside the boundaries of Indian reservations, communities made up mainly of Native Americans, Indian trust and restricted lands, and tribal allotted lands.

2. Pooling. Unused funds from this set-aside will be pooled on June 30, 2000 and made available to the counties listed on page 7 of this part as eligible for pooled funds only. Funds remaining after August 18, 2000, will be pooled and made available with the other program funds.

3. Single family housing programs. Further guidance will follow under separate cover.

4. Multi-family housing programs. Section 515 loans should be processed in accordance with part II, subpart B, paragraph (IV)(E)(2) of this attachment.

II. Exception authority. The Administrator, or the Administrator's designee, may, in individual cases, make an exception to any of the requirements of this attachment which are not inconsistent with the authorizing statute if the Administrator finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or designee, may exercise this authority upon the request of the State Director. The request must be supported by information that demonstrates the adverse impact or effect on the program. The Administrator, or designee, also reserves the right to change pooling dates, establish or change minimum or maximum fund usages from set asides and reserves, or restrict participation in set asides and reserves.

Exhibit A, Attachment 2, Part I - pages 4 through 6 not automated See Manual

RURAL HOUSING SERVICE  
RURAL COMMUNITY ADVANCEMENT PROGRAM  
COMMUNITY FACILITIES

I. General.

A. This attachment provides funding allocations available for fiscal year (FY) 2000. All Community Facilities (CF) funds are included in the Rural Community Advancement Program (RCAP). Computations for allocations available to individual States have been performed in accordance with §§ 1940.585, 1940.591, and 1940.592 of this Instruction. The guaranteed loan program has a negative subsidy rate for FY 2000. Therefore, it will not be possible to transfer budget authority from the guaranteed loan program to either the direct loan or grant programs. Due to the demand for CF grant program funds, State Directors may transfer budget authority into, but not out of, that program. In accordance with attachment 2, part I of this exhibit, State Directors will have the flexibility to transfer up to 25 percent of their initial allocation of budget authority from the direct loan program into the grant program.

B. The appropriations act provides an earmark until June 30, 2000, of \$2,106,000 in budget authority in RCAP for Empowerment Zones (EZ) and Enterprise Communities (EC) and communities designated by the Secretary of Agriculture as Rural Economic Area Partnership (REAP) Zones. Direct and guaranteed loans and grants will be available. State offices may submit the Guide 26 of RD Instruction 1942-A or RD Form Letter 3570-B-1, as appropriate, at any time. The final date for submission of these requests is April 3, 2000; projects must be obligated by June 30, 2000.

C. In response to the President's request for assistance to those communities affected by the timber-related economic crisis in the Pacific Northwest (PNW) and Southeast Alaska (SEA), the National Office reserves shown in the "amount available for allocation" for CF programs listed in section II of this subpart include funds which are being made available for use in those areas. Preference for the National office reserve will be given to projects which promote self-sufficiency, including: projects in Champion Communities; child care facilities; food recovery and distribution projects; assisted-living facilities developed in partnership with cooperatives; and projects which will create support services, such as group homes, mental health clinics, and shelters. Preference for direct loan and grant funds will also be given to projects primarily assisting farm workers. State offices are also encouraged to finance these facilities from their normal allocations.

In response to Executive Orders 13084 and 13096, regarding assistance to American Indians and Alaska Natives in meeting the unique secondary and higher education needs of their communities, we will continue to give priority to such projects. Preference will also be given to other Native American projects. State offices are especially encouraged to explore the possibilities of creating partnerships involving Native American Housing and Self-Determination Act funds.

Congress has appropriated \$6 million for the Rural Community Development Initiative to be used to develop the capacity and ability of private, nonprofit community-based housing and community development organizations and low-income rural communities to undertake projects to improve housing, community facilities, and community and economic development projects in rural areas. Guidance on implementing this program will be forthcoming.

D. State allocations are made on an annual basis; however, the National office receives an apportionment of funds on a quarterly basis for these programs. If States collectively request obligations greater than the amount apportioned for the quarter, there may not be sufficient funds to honor all obligations requested in that particular quarter.

II. State Allocations. All allocations have been calculated in accordance with the methodology and formulas contained in §§ 1940.585, 1940.591, and 1940.592 of this Instruction.

A. All Community Facilities Programs.

1. Basic formula criteria, data source, and weight. The census information used in the formula is derived from 1990 census data on population and income.
2. Basic formula allocation. State allocations are shown on pages 5, 6, and 7 of this subpart.
3. Transition formula. Not used.
4. Base allocations. The amounts of the base allocations to each State are \$1,000,000 for the direct loan program, \$1,000,000 for the guaranteed loan program, and \$50,000 for the grant program. States not receiving sufficient funds from the formula allocation process to meet the base will receive additional funds to reach this level.
5. Administrative allocation. Not used.

6. Reserve. Funds will be allocated to the States for those projects which best meet the Agency's priorities, depending on the amount available at the time of the request. Program Managers may request reserve funds by forwarding the Guide 26 of RD Instruction 1942-A, exhibit C of RD Instruction 3575-A, or RD Form Letter 3570-B-1, as appropriate, to the National office after the docket has been developed to the point where the loan or grant can be approved upon notification that funds are available. Requests for direct loan reserves may be made at any time. Requests for grant reserves will be considered twice during the course of the year. The procedure for requesting grant reserves is contained in section D, paragraph 3, "Grant Processing," below.

Except for preferences, both direct loan and grant funds will only be made available after the State's allocation has been used or obligated for particular projects. The Administrator will consider a State office's utilization of all its CF allocations in determining whether to honor requests for funds from the direct loan or grant reserves.

7. Pooling of funds. Mid-year pooling will occur on April 14, 2000. Each State should plan to obligate at least one-half of the FY 2000 allocation on or before that date. All funds from the first half of the State's allocation for which requests for obligation have not been entered and processed via the field office terminal system will be pooled. Year-end pooling is scheduled for August 18, 2000. All funds for which requests for obligation of funds have not been entered and processed will be pooled. RCAP funds will be pooled and may be redistributed within the CF funding stream. Further details will be provided prior to pooling.

B. Community Facilities Direct Loans .

1. Amount available for allocation.

Amount available	\$167,491,749
Less EZ, EC, or REAP earmark	12,475,247
Less National office reserve	29,749,502
Basic formula amount	125,267,000

2. Credit analysis. For each loan request from a nonprofit entity utilizing direct loan funds only, the State Director will prepare the "Community Facilities Credit Analysis" prior to the issuance of the AD-622, "Notice of Preapplication Review Action." The original copy will be inserted in the docket with a copy forwarded to the National office. The review is designed to facilitate the determination of whether some part or all of the financing package

should be in guaranteed loan funds. The purpose of this review is to ensure that only the minimum amount of subsidy necessary is provided, given the limited amount of direct loan funds available. Further guidance on this process will be issued separately.

C. Community Facilities Guaranteed Loans .

Amount available for allocation.

Amount available	\$210,000,000
Less EZ, EC, or REAP earmark	5,000,000
Less National office reserve	46,000,000
Basic formula amount	164,000,000

D. Community Facilities Grants .

1. Amount available for allocation.

Amount available	\$7,000,000
Less EZ, EC, or REAP earmark	1,350,000
Less National office reserve	1,000,000
Basic formula amount	4,650,000

2. Maximum grant amount. For FY 2000, the maximum grant amount is \$100,000, except for those grants serving EZ, EC, or REAP designated areas.

3. Grant processing. By January 4, 2000, State offices will rank all grant applications on hand and approve those which can be funded within its allocations. All those applications which cannot be funded from the State allocation will be forwarded to the National office by March 1, 2000. These applications will be ranked on May 15, 2000, the National office will advise States of those projects that will be funded from the grant reserve. The process will be repeated in the second half of the year, with the State offices ranking and funding any remaining applications by June 1, 2000. Any applications which cannot be funded within a State's remaining grant allocation will be submitted to the National office by July 14, 2000. Projects to be funded from the remaining grant reserve will be selected and announced on September 1, 2000.

4. For each grant application approved, the State office must document that the minimum grant amount needed to achieve financial feasibility for the project has been determined. A copy of this analysis must be kept in the project file.



Exhibit A, Attachment 2, Part II, Subpart A - Pages 5 through 7 not automated  
See Manual

RURAL HOUSING SERVICE  
MULTI-FAMILY HOUSING (MFH)

I. General.

A. This Attachment provides guidance on MFH funding for the Rural Rental Housing program (RRH) for FY 2000. For fiscal year (FY) 2000, State Directors, under the Rural Housing Assistance grants (RHAG), will have the flexibility to transfer their initial allocations of budget authority between the Single Family Housing (SFH) section 504 Housing Repair grants and the section 533 Housing Preservation grant (HPG) programs in accordance with Attachment 2, part I of this Exhibit.

B. MFH loan and grant levels for FY 2000 are as follows:

MFH Loan Programs Credit Sales	\$ 1,250,000
Section 514 Farm Labor Housing (LH) loans	\$ 25,001,105
Section 515 Rural Rental Housing (RRH)	\$ 114,322,076
Section 521 Rental Assistance (RA)	\$ 634,100,000
Section 516 LH grants (includes carryover)	\$ 13,990,844
Section 525 supervisory and technical assistance and section 509 Housing Application Packaging grants	
Total Available for Single and Multi-Family (includes carryover)	\$ 2,033,563
Section 533 Housing Preservation grants (HPG) (includes carryover)	\$ 5,515,344
Section 538 Guaranteed Rural Rental Housing program	\$ 100,000,000
Natural Disaster Funds (section 514 loans)	\$ 4,974,574
Natural Disaster Funds (section 516 grants)	\$ 3,000,000

II. Multi-Family Housing Programs (Funds not allocated to the States).

A. Credit Sales Authority. For FY 2000, \$1,250,000 will be available for credit sales to program and nonprogram buyers. Credit sale funding will not be allocated by State. The State Director must submit requests for authority to approve credit sales using page 8 of this subpart via facsimile (202) 720-0302 to the National office.

B. Section 538 Guaranteed Rural Rental Housing program . Guaranteed loan funds will be made available under a Notice of Funding Availability (NOFA) that will be published later this fiscal year. Additional guidance will be provided at that time.

C. Natural Disaster Funds . Funds are available until exhausted to those States that have received a Presidential Declaration.

III. Farm Labor Housing loans and grants .

A. Section 514 Farm LH Loans . These loans are funded in accordance with § 1940.579(a) of this Instruction.

FY 2000 appropriation	\$25,001,105
Available for off-farm loans	\$20,501,000
Available for on-farm loans	\$ 1,500,000
National office reserve	\$ 3,000,105

1. Off-Farm loans . Off-farm loans will be made available under a Notice of Funding Availability (NOFA) that will be published later this fiscal year. Additional guidance will be provided at that time.

2. On-Farm loans . Loans within the State Director's approval authority of \$400,000 may be obligated for on-farm LH loans on a first-come, first-served basis, established by the date of receipt of a complete and acceptable application, upon confirmation from the National office that funds are available. For National office fund control purposes, all proposed obligations, regardless of amount, are to be submitted prior to obligation to the Director, Multi-Family Housing Processing Division (MFHPD), for concurrence that funds are available. The total amount available for on-farm loans is \$1.5 million for FY 2000. States should utilize page 9 of this subpart to request approval to obligate funds.

B. Section 516 Farm LH grants . The grants are funded in accordance with § 1940.579(b) of this Instruction. Unobligated prior year balances and cancellations will be added to the amount shown. LH grants for off-farm will be made available under NOFA that will be published later this fiscal year. Additional guidance will be provided at that time.

FY 2000 allocation of RHAG appropriation (includes carryover)	\$13,990,844
Available for LH grants for off-farm	\$ 9,150,000
Estimated for Technical Assistance (TA) grants	\$ 1,350,000
National office reserve	\$ 3,490,844

C. National office reserve . A \$3 million LH grant and a \$3 million LH loan reserve will be available until fully allocated to selected loan and grant applicants. Reserve funds are not considered NOFA funds and will be used as follows:

1. Repair and Rehabilitation . Loans and grants are available for rehabilitation and repair of existing projects. Priority will be given to projects that have health and safety violations. State Directors should identify projects that are in need of those repairs and prioritize the processing of such applications that will bring units back into full compliance.

2. Hardships and Emergencies . Reserve funds may be used for hardships and emergencies. Requests must indicate why it is in the best interest of the Government to approve the request.

D. RA for LH . RA will be held in the National office for use with LH loan and grant applications selected under NOFA that will be published later this fiscal year. RA is only available with an RHS loan of at least 5 percent of the total development cost. Projects without a LH loan cannot receive RA.

IV. Section 515 RRH Loan Funds .

FY 2000 section 515 Rural Rental Housing allocation (Total)	\$114,322,076
New Construction funds and set-asides	\$49,783,694
New construction loans	\$22,500,000
Set-aside for nonprofits	\$10,288,987
Set-aside for underserved counties and colonias	\$5,716,104
Earmark for EZ, EC, or REAP Zones	\$9,778,603
State RA designated reserve	\$1,500,000
Rehab and repair funds and equity	\$55,000,000
Rehab and repair loans	\$50,000,000
Designated equity loan reserve	\$5,000,000
General reserve	\$9,538,382

A. New construction loan funds . New construction loan funds will be made available using a national NOFA. Upon closing of the NOFA, States will submit a list, in rank order of the eligible projects. The list must show the name of the applicant; location of the project (City &

State); if it is located in an Empowerment Zone (EZ) or Enterprise Community (EC), REAP Zone, Tribal Land, or Colonia; amount of leveraging; RHS loan amount; point score; number of new construction RA units needed; total project units; number of tax credit units; and other information as requested in the NOFA, to the National office. Requests that are eligible for the nonprofit set-aside must be so indicated. Include requests for the Underserved Counties and Colonias Set-Aside, and EZ, EC or REAP Zone earmark. Indicate if they are also eligible for regular section 515 funds by being located in a designated place. The National office will rank the States' requests by point score using the same tie breaker criteria established in § 1944.231 of RD Instruction 1944-E. Funds will be distributed to the States for loan requests in rank order, up to a maximum of \$2.5 million for any one State.

B. National Office New Construction Set-asides. The following funds have been set-aside as described below and made available using a national NOFA.

1. Nonprofit set-aside. An amount of \$10,288,987 has been set aside for nonprofit applicants.

2. Underserved counties and colonias set-aside. An amount of \$5,716,104 has been set aside for loan requests to develop units in one of the underserved 100 most needy counties or colonias as defined in section 509(f) of the Housing Act of 1949.

3. EZ, EC or REAP Zone earmark. An amount of \$9,778,603 has been earmarked for loan requests to develop units in EZ, EC or REAP Zone communities through June 30, 2000. The State must indicate on the list submitted to the National office if the loan request is eligible for both this set-aside and regular section 515 funds.

C. Rental Assistance (RA). Limited new construction RA will be held in the National office for use with section 515 Rural Rental Housing loans. New construction RA may not be used in conjunction with a transfer or subsequent loan for repairs or rehabilitation, preservation purposes or for inventory property sales.

D. Designated reserve for State RA. An amount of \$1.5 million of the section 515 loan funds has been set aside for matching with projects in which an active State sponsored RA program is available. The State RA program must be comparable to the RHS RA program. To participate in this reserve, the State Director should submit a written request with specific information about the State RA program; i.e., memorandum of understanding, documentation from the provider, etc., to the Director, Multi-Family Housing Processing Division (MFHPD), no later than January 7, 2000. Funds will be distributed to participating States based on a *pro rata* basis.

E. Repair and Rehabilitation Loans . Tenant health and safety continues to be a top priority. Repair and rehabilitation funds must be FIRST targeted to RRH facilities that have physical conditions that affect the health and safety of tenants, and then made available to facilities that have deferred maintenance. Funds provided to States for repair or rehabilitation loans may not be used for the purpose of new construction. All funds will be held in the National office and will be distributed based upon indicated repair and rehabilitation needs demonstrated in the MFH survey conducted in September 1999.

F. Designated reserve for equity loans . An amount of \$5 million has been designated for the equity loan preservation incentive described in RD Instruction 1965-E. The \$5 million will be further divided into \$4 million for equity loan requests currently on the pending funding list and \$1 million to facilitate the transfer of properties from for-profit owners to nonprofit corporations and public bodies. Funds for such transfers would be authorized only for for-profit owners who are currently on the pending funding list who agree to transfer to nonprofit corporations or public bodies rather than to remain on the pending list. If insufficient transfer requests are generated to utilize the full \$1 million set aside for nonprofit and public body transfers, the balance will revert to the existing pending equity loan funding list.

G. General Reserve . There is one general reserve fund of \$9,538,382. Some examples of immediate allowable uses include, but are not limited to the following:

1. Hardships and Emergencies . The request must include sufficient documentation to support the hardship or emergency including reasons why it is in the Government's best interest to favorably consider the request.
2. RH Cooperatives or group homes . Requests for cooperative housing or group homes must be in designated places and submitted under the NOFA.
3. RRH preservation .

H. Requesting Funds for Special Needs . States should utilize page 8 of this subpart to request reserve funds. This format will ensure a prompt turnaround since it can be used for the request and National office approval.

V. Section 533 Housing Preservation Grants (HPG) . Due to limited funds this fiscal year, the funding process will be followed as described in paragraph V A of this subpart. Further guidance will be provided in the HPG NOFA that will be published later in the fiscal year.

A. State allocation options . After receipt of applications, States will have the following options:

1. Use their allocations as reflected on page 10 of this Attachment to make two grants so that no one grantee receives more than 50 percent of the State allocation;
2. Return the allocation to the National pool. Once a State returns its allocation to the National pool, the State may request one grant of no more than \$40,000 from that pool. Funds will be limited and States are not guaranteed funding from the National pool. If the pool is not sufficient, selection will be in order of point score;
3. Transfer unused funds to section 504 in accordance with RD Instruction 1940-L, exhibit A, attachment 2, part 1 I B 2.

B. Amount Available for Allocation . See page 10 of this Attachment for HPG State allocations. EZ, EC or REAP Zone earmarked funds will be included in the NOFA.

Total available	\$ 5,515,344
Less reserve	\$ 550,000
Less designated earmark(EZ, EC or REAP Zone)	\$ 600,000
Total Available for Distribution	\$ 4,365,344

C. Base Allocation . The base allocation is not used. Distribution of funds is based on the allocation formula in accordance with RD Instruction 1940-L.

D. Administrative Allocations . The administrative allocation is not used.

E. Reserve. The National office reserve is 10 percent of the total funds available. The eligible uses for reserve funds includes natural disasters, proposals to be located on Tribal lands, and targeted areas. State Directors may request reserve funds with sufficient documentation to support the request, including reasons why it is in the Government's best interest to consider the request. The National office reserve may also be used to augment the individual grants or National pool.

F. National Office Pooling. Pooling for programs funded under the RHAG is tentatively scheduled for August 18, 2000. RHAG funding will be pooled and may be redistributed between the RHAG programs. Further details will be provided in conjunction with pooling.

G. Availability of the Allocation. A distribution of funds is made to all States. The Agency does not have the authority to waive the statutory rule that not more than 50 percent of the State's allocation may go to one eligible applicant.

H. HPG is a competitive grant program. State Directors must implement maximum outreach measures to ensure 100 percent utilization of HPG funds. Opening and closing dates for submission of preapplications will be announced in the FEDERAL REGISTER at a later date. Exhibit G to RD Instruction 1944-N must be submitted to the National office (the deadline for submission will be announced at a later date).



**[On Rural Development Letterhead]**

TO: Carl W. Wagner  
Director, Multi-Family Housing Processing Division

ATTENTION: Tracee Lilly  
MFHPD, STOP 0781

SUBJECT: Request for Section 515 Special Needs for FY 2000

State Name \_\_\_\_\_

Authorization is requested for the following:

Applicant Name: \_\_\_\_\_

N.O. Request: \$\_\_\_\_\_ N.O. Request RA Units: \_\_\_\_\_

___ Inventory Sale Funds	___ Emergency or Hardship Funds/RA
___ Equity or Prepayment	___ Rehab/Repair RA Units _____
___ Cooperative Funds or RA	

I certify that the above information is correct and that the SAUCE PROGRAM has been run on this proposal and the minimum amount of assistance is being provided. Please feel free to contact \_\_\_\_\_ should you have any questions regarding this matter.

\_\_\_\_\_  
State Director

\_\_\_\_\_  
Date

#####  
[ ] APPROVED. Use of these funds authorized solely for the above-named applicant and may not be used for other applicants or purposes. A member of your housing staff has been advised. Your request was modified to:

\_\_\_\_\_  
[ ] DISAPPROVED. Our response could not be more favorable for the following reasons:

\_\_\_\_\_  
Please feel free to contact Tracee Lilly at (202) 720-9729 should you have any questions regarding this matter. Our FAX number is (202)690 -3444.

\_\_\_\_\_  
CARL W. WAGNER  
Director MFH Processing Division

\_\_\_\_\_  
DATE

**[On Rural Development Letterhead]**

TO: Carl W. Wagner  
Director, Multi-Family Housing Processing Division

ATTENTION: Sue Harris-Green  
MFHPD, STOP 0781

SUBJECT: Request for Allocation of FY 2000 Section 514 Loan or 516  
Grant Funds

State Name \_\_\_\_\_

Authorization is requested for the following application:

Applicant Name:	_____
Indicate either New Construction or Rehab/Repair	_____
Total RHS Loan:	\$ _____
Total RHS Grant:	\$ _____
RA Units:	_____
Total Complex Units:	_____
Type of Loan or Reserve Category: (on-farm or off-farm)	_____
Amount of Funds from Other Sources:	_____

I certify that the above information is correct, that the SAUCE PROGRAM has been run on this proposal and the minimum amount of assistance is being provided and we have met all conditions in compliance with National Office comments and recommendations. Please feel free to contact \_\_\_\_\_ should you have any questions regarding this matter.

State Director	_____	Date
#####		
##		
[ ] APPROVED. Use of these funds is authorized solely for the above-named applicant and may not be used for other applicants or purposes. Your request was modified to:		

\_\_\_\_\_  
\_\_\_\_\_  
[ ] DISAPPROVED. We regret that our response could not be more favorable for the following reasons:

\_\_\_\_\_  
\_\_\_\_\_  
Please feel free to contact Sue Harris-Green at (202)720-1604 should you have any questions regarding this matter. Our FAX number is (202)690-3444.

\_\_\_\_\_  
CARL W. WAGNER  
Director MFH Processing Division

\_\_\_\_\_  
DATE

Exh A, Att 2, Pt II, Subpart B, Page 10 not automated,  
See Manual

RURAL HOUSING SERVICE  
SINGLE FAMILY HOUSING (SFH)

I. General.

A. This attachment provides SFH allocations for fiscal year (FY) 2000. Allocation computations have been made in accordance with §§ 1940.563 through 1940.568 of this instruction. State Directors are reminded of their authority to transfer funds between the section 504 Rural Housing Grant program and the section 533 Housing Preservation Grant program in accordance with attachment 2, part I of this exhibit. Information on basic formula criteria, data source and weight, administrative allocation, pooling of funds, and availability of the allocation are located on a chart on page 14 of this subpart. Program contacts and information on where to FAX requests for funds held in the National office are located on a chart on page 13 of this subpart.

B. The SFH levels authorized for FY 2000 are as follows:

Section 502 Guaranteed Rural Housing (RH) loans	
Nonsubsidized Guarantees	\$3,200,000,000
Section 502 Direct RH loans	
very low-income subsidized loans	\$ 484,000,000
low-income subsidized loans	\$ 616,000,000
Credit sales (Program and non program)	\$ 6,245,888
Section 504 housing repair loans	\$ 32,395,287
Section 504 housing repair grants	\$ 25,650,573
Section 509 compensation for	
construction defects	*\$ 1,297,169
Section 523 mutual and self-help housing grants	\$ 29,215,509
Section 523 Self-Help Site Loans	\$ 5,008,912
Section 524 RH site loans	\$ 5,000,000
Section 306C Water and waste disposal grants	*\$ 1,889,621
Section 525 Supervisory and technical	
assistance and section 509 Housing Application	
Packaging Grants	
Total Available for single and multi-family	\$ 2,033,563
Natural disaster funds (Section 502 loans)	*\$ 60,716,817
Natural disaster funds (Section 504 loans)	*\$ 15,619,877
Natural disaster funds (Section 504 grants)	*\$ 11,591,985

\* Carryover funds are included in the balance.

C. SFH funding not allocated to States are:

1. Credit sale authority. State Directors may submit requests (utilizing page 24 of this subpart) for general reserve authority to approve Real Estate Owned (REO) credit sales when National and State REO funds are exhausted. There will be no State distribution of credit sale authority rather funds will be available on a first come first serve basis. States will use loan funds to finance program REO sales to program applicants when all credit sale authority is exhausted. Further updates will be provided as needed.

2. Section 509 compensation for construction defects. All claims for compensation for construction defects must be submitted to the National office for authorization of funds prior to approval. After receipt of the authorization, claims may be approved and submitted to the finance office for funding.

3. Section 523 mutual and self-help technical assistance grants. The State Director must request funding approval from the National office for all requests. A technical review and analysis must be completed by the Technical and Management Assistance (T&MA) contractor on all predevelopment, new, and existing (refunding) grant applications. In addition to the T&MA contractor's review, Agency personnel must also review and evaluate the feasibility of the grantee's request and make the appropriate recommendation. The level of National office review will be based on the amount of the grant:

(a) For grant requests under \$300,000, the State Director should submit: (1) the analysis from the T&MA contractor, (2) statement indicating whether or not the grant recipient will be working in Empowerment Zones (EZ), Enterprise Communities (EC) or Rural Economic Area Partnerships (REAP) and census tract designation of area; (3) the State Director's recommendation, (4) a copy of the conditions to be met, (5) a copy of Form RD 1940-1, "Request for Obligation of Funds," and (6) if the grantee is a marginal performer, specific information showing actions to correct performance.

(b) For grant requests that equal or exceed \$300,000, the complete application docket along with a statement indicating whether the grant recipient will be working in an EZ, EC, REAP or tribal community, must be sent to the National office.

\$28 million has been appropriated for section 523 Mutual and Self-Help Technical Assistance grants. Of these funds, \$1 million is earmarked for EZ, EC or REAP communities.

Due to the limited funding under the section 523 Mutual and Self-Help Technical Assistance grants, all section 523 grants will be obligated in the National office. This will enable the National office staff to monitor fund utilization.

4. Section 523 mutual and self-help site loans and section 524 RH site loans. State Directors are responsible for developing an outreach program to increase public awareness of these programs. The State Director must request funding authority from the National office prior to obligating loan funds.

5. Section 306C water and waste disposal (WWD) grants to individuals in colonias. The objective of the section 306C WWD individual grant program is to facilitate the use of community water or waste disposal systems for the residents of the colonias along the U.S.-Mexico border. A colonia is any identifiable community designated in writing by the State or county in which it is located; determined to be a colonia on the basis of objective criteria including lack of potable water supply, lack of adequate sewage systems, lack of decent, safe, and sanitary housing, and inadequate roads and drainage; that existed and was generally recognized as a colonia before October 1, 1989. Colonias are located in the States of Arizona, California, New Mexico and Texas. Eligible areas under section 306C WWD may be different from areas under the 5 percent set-aside for the 100 underserved counties and colonias.

The total amount available to Arizona, California, New Mexico, and Texas will be \$1,899,621 for FY 2000. This amount includes the carryover unobligated balance of \$389,621 and the transferred amount of \$1.5 million from the Rural Utilities Service (RUS) to the Rural Housing Service for processing individual grant applications. The above States will have access to the funds in accordance with the availability of the allocation distributions located on page 14 of this subpart.

6. Section 525 technical and supervisory assistance (TSA) and section 509 housing application packaging grants (HAPG). \$1.0 million of new funds for section 525 TSA grants and \$1,033,000 of carry-over funds remain available for the TSA and HAPG programs. Funds are available on a limited basis for TSA grants. States should submit proposals from potential applicants to the National office for review and concurrence prior to authorizing an application. The 29 eligible States under HAPG that have active

grantees operating will be able to access up to \$5,000 for section 502 or 504 loan and grant programs in order to continue operations. Reserve requests will be considered on a first-come, first-served basis.

7. Natural disaster funds . Funds are available until exhausted to those States that have received a Presidential Declaration.

8. Deferred mortgage payment demonstration . There is no FY 2000 funding provided for deferred mortgage authority or loans for deferred mortgage assumptions.

9. Section 502 Direct Funds for Families Not Qualifying for Payment Assistance . Funds from State's allocation may be used for qualified very low- and low-income applicants when the payment assistance formula shows there is no need for the subsidy. This assistance will be taken from the State's subsidized regular funding.

II. State Allocations . State allocation distributions can be found on pages 15 through 19 of this subpart.

A. Section 502 Nonsubsidized Guaranteed RH Loans .

1. Amount available for allocation .

Total Available	\$3,200,000,000
Less National office general reserve	\$ 630,000,000
Less special outreach area reserve	\$ 270,000,000
Basic formula - administrative allocation	\$2,300,000,000

2. National office general reserve . Requests for National office reserve funds should be submitted using the format provided on page 25 of this subpart. The Administrator may restrict access to this reserve for States not meeting their goals in special outreach areas.

3. Reservation of funds . States **must** use the guaranteed rural housing reservation of funds system.

4. Special outreach areas . The intent of special outreach areas is to assure the GRH program reaches applicants residing in areas which are the most rural in character. FY 2000 GRH funding is allocated to States in two funding streams similar to the 60/40 income split for direct SFH funds. Seventy percent of GRH funds may be used in any eligible area. Thirty percent of GRH funds are to be used for special outreach areas. Additional requirements for States on how to define special outreach areas and how to utilize these funds will be issued under separate cover.

5. National office special area outreach reserve . A special outreach area reserve fund has been established at the National office. Funds made available from this reserve may only be used in special outreach areas. Requests should be submitted using the format provided on page 25 of this subpart.

6. Suballocation by the State Director . The State Director may retain funds at the State office level or suballocate to the area or field office level.



B. Section 502 Direct RH loans .

1. Amount available for allocation .

Total available	\$1,100,000,000
Less required set aside for underserved counties and colonias	\$ 55,000,000
EZ, EC or REAP earmark	\$ 60,500,000
Less general reserve	\$ 96,500,000
Administrator's reserve	\$30,000,000
Hardships & homelessness	\$ 3,500,000
Homeownership partnership	\$60,000,000
Rural housing demonstration program	\$ 3,000,000
Less Designated Reserve for self-help	\$ 110,000,000
Basic formula administrative allocation	\$ 778,000,000

2. Reserves .

a. State office reserve .

State Directors must submit a report to the National office within 30 days of receiving their full first quarter allocation, indicating the amounts **set aside** in each State's reserve account listed in paragraphs II.B.2.a.(i)(A) through (F) of this subpart:

(i) State Directors must maintain an adequate reserve to fund the following applications:

(A) Hardship and homeless applicants based upon historical data and projected demand. This shall include the direct section 502 loan and section 504 loan and grant programs.

(B) The State's 25 percent portion of funds for mutual self-help loans.

(C) Subsequent loans for essential improvements or repairs and transfers with assumptions.

(D) Financing for the purchase of program REOs when credit sale authority has been exhausted. See paragraph I.C.1. of this subpart.

(E) States will leverage an amount equal to 25 percent of their initial low-income allocation and 5 percent of their initial very low -income allocation with funding from other sources. For example if a State receives an initial low-income allocation of \$900,000 the amount to be leveraged from other sources would be \$225,000 ( $\$900,000 \times 25$  percent) for a total RHS and other funding source of \$1,125,000 ( $\$900,000 + \$225,000$ ).

(F) Areas targeted by the State.

(ii) State Directors must maintain records on how the State office reserves are utilized, including a justification for each hardship and homelessness case authorized.

(b) National office reserves .

(i) General reserve . The National office has a general reserve of \$96.5 million. Of this amount, the Administrator's reserve is \$30 million. One of the purposes of the Administrator's reserve will be for loans in Indian Country. Indian Country consists of land inside the boundaries of Indian reservations, communities made up mainly of Native Americans, Indian trust and restricted land, and tribal allotted lands. The remaining reserves will be distributed as follows:

(ii) Hardship and homelessness reserve. \$3.5 million has been set aside for hardships & homelessness. **States are expected to fund hardship and homeless cases from their own reserves** Priority will be given to applicants facing deficient housing hardships including applicants who have been living in deficient housing for more than 6 months, current homeowners in danger of losing a property through foreclosure, and other circumstances determined by RHS on a case-by-case basis to constitute a hardship. Priority will be given to homeless cases accompanied by a certification from a third party entity such as an agency for the homeless. In exceptional cases when State funding is not sufficient to serve such applicants, State Directors may submit hardship and homeless cases for National office reserve funds. The National office will make a review of a State's set-aside reserve prior to approving the funding request.

(iii) Homeownership partnership. \$60 million has been set aside for homeownership partnerships. These funds will be used for SFH loans to eligible individuals in connection with new and existing partnerships, such as those listed in paragraphs II.B.2.(b)(iii)( A) and (B). Further instructions will be provided at a later date.

(A) Department of Treasury, Community Development Financial Institutions (CDFI) - Funds will be available to fund leveraged loans made in partnership with the Department of Treasury CDFI participants.

(B) Partnership initiatives established to carry out the objectives of the national partners in homeownership including the rural home loan partnership (RHLF), state housing finance authority and agencies, and other strategies or initiatives.

(iv) Rural Housing Demonstration Program. \$3 million has been set aside for innovative construction demonstration initiatives. Further instructions will follow.

(c) Designated Reserve for Self-Help. \$110 million has been set aside for matching funds to assist participating Self-Help applicants. The matching funds were established on the basis of the National office contributing 75 percent from the National office reserve and States contributing 25 percent from

their self-help reserve established from their allocated section 502 RH funds. States must not assume that 40 percent of the participating self-help applicants will be very low-income and 60 percent will be low-income when establishing their 25 percent share. States must determine the correct proportion of very low and low funds that must be set aside to properly fund their 25 percent share. In order to determine the proper split of funds, States will consult with their T&MA Contractor to get planned and historical usage. Using the correct proportions will help ensure that the State has adequately funded the appropriate income categories to meet the 25 percent set aside requirement.

States are encouraged to work with self-help grantees and participating applicants in leveraging funds to expand the amount available for financing section 502 RH loans.

States will obligate the entire loan amount by utilizing 25 percent funding from the state's self-help reserve and 75 percent from the National office reserve. The National office contribution will be distributed from the section 502 self-help reserve by quarters in the same manner as direct 502 funds; however, additional funds will not be distributed until the previous quarter's allocation has been utilized. Requests for advances and additional National Office reserve funds must be submitted utilizing page 20 of this subpart.

(d) Underserved counties and colonias. \$55 million has been set aside for the 100 underserved counties and colonias. The underserved counties are identified in part I of this Attachment. Further information will follow.

(e) Empowerment Zone (EZ), Enterprise Community (EC) or Rural Economic Area Partnership (REAP) earmark. These funds are earmarked for loans in EZs, ECs or REAPs only. If these funds are not obligated for EZ, EC communities or REAP Zones by June 30, 2000, they shall remain available for other authorized purposes. Further information will follow.

(f) Reserve requests. All National office reserve requests should be submitted by the State Director to the National office on a case-by-case basis utilizing the applicable pages 20, 21, or 22 of this subpart. Requests for loan funds must have complete documentation which includes the applicant's name, account number, amount of request, very low- or low-income category, and justification.

(g) State office pooling . If pooling is conducted within a State, it must not take place within the first 30 calendar days of the first, second, or third quarter. (There are no restrictions on pooling in the fourth quarter.) Pooled funds may be redistributed by the State Director provided the State Director has determined that the pooled funds could not be used in the field offices receiving the funds allocated in accordance with this instruction. This determination will be in writing, filed in the State office, and will include a statement that all appropriate efforts were made to use the funds as allocated.

(h) Suballocation by the State Director . The State Director may suballocate to each area office using the methodology and formulas required by this instruction. If suballocated to the area level, the Rural Development manager will make funds available on a first-come, first-served basis to offices at the field or area level. No field office will have its access to funds restricted without the prior written approval of the Administrator. State Directors can hold funds in reserve for leveraging and other initiatives.

C. Section 504 Housing Loans and Grants . **Section 504 grant funds are included in the Rural Housing Assistance Grant program (RHAG) in the FY 2000 appropriation** Funds included in RHAG may be transferred in accordance with part I of this attachment.

1. Amount available for allocation .

Section 504 loans

Total available	\$ 32,395,287
less 5% for 100 underserved counties and colonias	\$ 1,620,000
EZ, EC or REAP earmark	\$ 7,000,000
less general reserve	\$ 1,500,000
Basic formula - administrative allocation	\$ 22,276,000

Section 504 grants

Total available	\$ 25,650,573
less 5% for 100 underserved counties and colonias	\$ 1,282,528
EZ, EC or REAP earmark	\$ 600,000
less general reserve	\$ 1,500,000
Basic formula administrative allocation	\$ 22,268,045

2. Reserves and set-asides .

(a) State office reserve . State Directors must:

(i) Maintain an adequate reserve to handle all anticipated hardship applicants based upon historical data and projected demand for section 504 hardship applications (see paragraph II.B.2.a.( i)(A) of this subpart).

(ii) Develop their own definition of a hardship case for a section 504 loan or grant. This definition must be the same as the State previously used unless good cause is shown and documented.

(iii) Maintain records on how State office section 504 loan and grant funds are utilized.

(iv) States will leverage an amount equal to 5 percent of their initial section 504 Loan allocation. For example if a State receives an initial 504 Loan allocation of \$200,000 the amount to be leveraged from other sources would be \$10,000 ( $\$200,000 \times 5$  percent) for a total RHS and other funding source of \$210,000 ( $\$200,000 + \$10,000$ ).

(b) Underserved counties and colonias . \$1.62 million and \$1.25 million, respectively, have been set aside for the 100 underserved counties and colonias for the section 504 loan and grant programs. The underserved counties are identified in part I of this Attachment. Further information on distribution of funds will follow.

(c) Empowerment Zone (EZ), Enterprise Community (EC) or Rural Economic Area Partnership (REAP) earmark . \$7 million and \$600,000, respectively, have been earmarked for EZ, EC or REAPs for the section 504 loan and grant programs. These funds are earmarked for EZs, ECs or REAPs only. If these funds are not obligated for EZ, EC communities or REAP Zones by June 30, 2000, they shall remain available for other authorized purposes. Further information will follow.

(d) National Office Reserve . \$1.5 million for section 504 loan hardships and \$1.5 million for section 504 grant extreme hardships have been set-aside in the general reserve.

(i) For section 504 grants, an extreme hardship case is one requiring a significant priority in funding, ahead of other requests, due to severe health or safety hazards. Prior to funding hardship cases, the National office will review the State's reserve account set aside for grants.

(ii) Section 504 grant requests must be reviewed and sufficient documentation must be provided to support the hardship. The following information must be considered and included:

(A) A clear determination that the 504 grant applicant is unable to repay a section 504 loan.

NOTE: A copy of the applicant's Form RD 1944-3, "Budget and/or Financial Statement" must be submitted with the hardship request.

(B) The grantee is unable to obtain financial assistance from sources other than the Rural Housing Service loans or grants.

(C) The grantee lacks personal resources that can be utilized to meet the grantee's needs.

(e) Requesting Section 504 Loan and Grant Funds. Requests for section 504 loan and grant funds from the National reserve should be submitted on a case-by-case basis utilizing the applicable pages 21, 22, or 23 of this subpart.

**Information on where to FAX request for funds held in the National office**

<b>Program Initiatives</b>	<b>Contact</b>	<b>FAX #</b>	<b>Phone #</b>
504 Loan & Grant Requests	Melissa Carter	(202)690-3555	(202)720-1478
Compensation for Construction Defects	Melissa Carter	(202)690-3555	(202)720-1478
Credit Sale Authority	Lena Milton	(314)206-2945	(314)206-2806
Hardship and Homelessness Requests	Melissa Carter	(202)690-3555	(202)720-1478
Homeownership Partnership Fund Usage Report/Requests for additional Funds	Melissa Carter	(202)690-3555	(202)720-1478
Housing Application Packaging Grants (HAPG)	Gloria Denson	(202)720-6895	(202)720-1487
Leveraging Participation	Teresa Sumpter	(202)690-9914	(202)720-1485
Matching funds for States with approved Mutual Self-Help housing grants	Teresa Sumpter	(202)690-9914	(202)720-1485
Mutual & Self-Help Technical Assistance Grants	Carrie Schmidt	(202)720-2232	(202)690-0510
Mutual and Self-Help Site Loans	Norma Lopez	(202)720-2232	(202)720-1474
RH Site Loans	Norma Lopez	(202)720-2232	(202)720-1474
Rural Housing Demonstration Program	Gloria Denson	(202)720-6895	(202)720-1487
SFHDLD State Office Reserve Reports	Gloria Denson	(202)720-6895	(202)720-1487
SFHGLD National office Reserves	Dean Daetwyler	(202)720-8795	(202)720-1452
Technical & Supervisory Assistance (TSA)	Doris Greiner	(202)690-3555	(202)690-1530
Underserved counties and colonias 502 and 504	Melissa Carter	(202)690-3555	(202)720-1478



(02-16-00) PN 316

**Information on basic formula criteria, data source and weight, administrative allocation, pooling of funds, and availability of the allocation**

#	DESCRIPTION	SECTION 502 NONSUBSIDIZED GUARANTEED RH LOANS	SECTION 502 DIRECT RH LOANS	SECTION 504 LOANS AND GRANTS
1	Basic formula criteria, data source, and weight	See §1940.563(b) of this instruction.	See §1940.565(b) of this instruction.	See § 1940.566(b) and 1940.567(b) of this instruction.
2	Administrative Allocation.			
	Western Pacific Area	\$1,000,000	\$1,000,000	\$1,000,000 loan \$ 500,000 grant
3	Pooling of funds.			
	a. Mid year pooling	If necessary	If necessary	If necessary
	b. Year-end pooling	July 14, 2000	August 18, 2000	August 18, 2000
	c. Underserved counties & colonias	N/A	June 30, 2000	June 30, 2000
	d. EZ, EC or REAP	N/A	June 30, 2000	June 30, 2000
	e. Credit sales	N/A	June 30, 2000	N/A
4	Availability of the allocation.			
	a. first quarter	50 percent	50 percent	50 percent
	b. second quarter	75 percent	70 percent	70 percent
	c. third quarter	90 percent	90 percent	90 percent
	d. fourth quarter	100 percent	100 percent	100 percent

1. Data derived from the 1990 U.S. Census was provided to each State by the National Office on August 12, 1993.
2. Due to the absence of Census data.
3. All dates are tentative and are for the close of business (COB). Pooled funds will be placed in the National office reserve and made available administratively.
4. Funds will be distributed cumulatively through each quarter listed until the National office year-end pooling date.

Exh A, Att 2, Pt II, Subpart C, Pgs 15 through 19 not automated  
See Manual

RD Instruction 1940-L  
Exhibit A,  
Attachment 2, Part II  
Subpart C, Page 20

RURAL HOUSING SERVICE  
FISCAL YEAR 2000

TO: Deputy Administrator  
Single Family Housing

ATTN: William M. Toney  
Director, SFHDLD  
Fax: (202) 690-3555

SUBJECT: Request for Section 502 Reserve Funds

State: \_\_\_\_\_

Applicant's Name: \_\_\_\_\_

Applicant's Case Number: \_\_\_\_\_

Check the applicable reserve:

- |                                       |   |
|---------------------------------------|---|
| <input type="checkbox"/> Hardship     | <input type="checkbox"/> Administrator's General Reserve        |
| <input type="checkbox"/> Homelessness | <input type="checkbox"/> Administrator's Indian Country Reserve |
| <input type="checkbox"/> Self-Help    |   |

Amount of section 502 direct funds requested:

Very Low \_\_\_\_\_ Low \_\_\_\_\_

Justification for a hardship or homelessness:

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---

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Signed: \_\_\_\_\_

State Director

Date: \_\_\_\_\_

**\*\*\*\*\*For National Office Use Only\*\*\*\*\***

- ☐ Your request has been approved and the funds in the amount of \_\_\_\_\_ have been placed in the appropriations accounting system.
- ☐ We were unable to approve your request for funding for the following reason:

---

---

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

RURAL HOUSING SERVICE  
FISCAL YEAR 2000

RD Instruction 1940-L  
Exhibit A  
Attachment 2, Part II  
Subpart C, Page 21

TO: Deputy Administrator  
Single Family Housing

ATTN: William M. Toney  
Director, SFHDLD  
Fax: (202) 690-3555

SUBJECT: Request for Funds From the 100 Underserved  
Counties and Colonias Reserve

State: \_\_\_\_\_

County Name	U or C *	AMOUNT OF REQUEST			
		SECTION 502		SECTION 504	
		Very Low	Low	Grant	Loan
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____

\* U for Underserved, C for Colonia

Signed\*\*: \_\_\_\_\_ Date: \_\_\_\_\_  
State Director

\*\* (AZ, CA, NM, and TX only) If funding is requested for a loan or grant in a Colonia, this certifies that we obligated all allocated SFH and MFH funds in the previous 2 fiscal years or, if no, have obligated at least 5 percent of this FY's allocation in Colonias before submitting this request.

**\*\*\*\*\*For National Office Use Only\*\*\*\*\***

☐ Your request has been approved and the funds in the amount of \_\_\_\_\_ have been placed in the appropriations accounting system.

☐ We were unable to approve your request for funding for the following reason:

\_\_\_\_\_  
\_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

RD Instruction 1940-L  
Exhibit A,  
Attachment 2, Part II  
Subpart C, Page 22

RURAL HOUSING SERVICE  
FISCAL YEAR 2000

TO: Deputy Administrator  
Single Family Housing

ATTN: William M. Toney  
Director, SFHDLD  
Fax: (202) 690-3555

SUBJECT: Request for Funds From the EZ/EC/REAP Earmark  
Reserve/National Office EZ/EC/REAP Informational Sheet

☐ Reserve Request

☐ NO Informational Sheet

State: \_\_\_\_\_

Applicant: \_\_\_\_\_ Case Number: \_\_\_\_\_

EZ/EC/REAP name: \_\_\_\_\_

**AMOUNT OF REQUEST**

**SECTION 502**

**SECTION 504**

Very low

Low

Loan

Grant

\$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

State Director

**\*\*\*\*\*For National Office Use Only\*\*\*\*\***

☐ Your request has been approved and the funds in the amount of \_\_\_\_\_  
have been placed in the appropriations accounting system.

☐ We were unable to approve your request for funding for the following  
reason:

\_\_\_\_\_

\_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

RURAL HOUSING SERVICE  
FISCAL YEAR 2000

RD Instruction 1940-L  
Exhibit A  
Attachment 2, Part II  
Subpart C, Page 23

TO: Deputy Administrator  
Single Family Housing

ATTN: William M. Toney  
Director, SFHDLD  
Fax: (202) 690-3555

SUBJECT: Request for Section 504 Funds

State: \_\_\_\_\_

Applicant's name: \_\_\_\_\_ Case Number: \_\_\_\_\_

**Check the applicable reserve:**

- ☐ 504 Grant Extreme Hardship  
☐ 504 Loan Hardship

**Amount of Request:**

\_\_\_\_\_  
\_\_\_\_\_

**Justification for Hardship Request:**

Explain reason why case requires a priority in funding (please attach a copy of the budget for grant cases):

\_\_\_\_\_  
\_\_\_\_\_

☐ I have reviewed this file and certify that it qualifies as a hardship case as indicated by the applicable reserves checked above.

Signed: \_\_\_\_\_  
State Director

Date: \_\_\_\_\_

**\*\*\*\*\*For National Office Use Only\*\*\*\*\***

☐ Your request has been approved and the funds in the amount of \_\_\_\_\_ 504 Grants and \_\_\_\_\_ 504 Loans have been placed in the appropriations accounting system.

☐ We were unable to approve your request for funding for the following reason:

\_\_\_\_\_  
\_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

RD Instruction 1940-L  
Exhibit A  
Attachment 2, Part II  
Subpart C, Page 24

RURAL HOUSING SERVICE  
FISCAL YEAR 2000

TO: Deputy Administrator  
Single Family Housing

ATTN: REO Section Head  
Risk Management, Centralized Servicing Center (CSC)  
St. Louis, MO  
Fax: (314) 206-2945

FROM: \_\_\_\_\_

SUBJECT: Request for General Reserve Credit Sale Authority

Date of request \_\_\_\_\_

New borrower's name \_\_\_\_\_

New borrower's case number \_\_\_\_\_

Amount of credit sale authority requested: \$ \_\_\_\_\_

Terms: Program \_\_\_\_\_ Non program \_\_\_\_\_

Amount of subsequent or participation loan: \$ \_\_\_\_\_

REO advice or former borrower case number: \_\_\_\_\_

**\*\*\*\*For CSC Use Only\*\*\*\***

Based on your request the following action has been taken:

☐ Your request has been approved. Please proceed according to the attached instructions.

☐ We were unable to approve your request for funding for the following reason:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Attachment



RURAL HOUSING SERVICE  
FISCAL YEAR 2000

RD Instruction 1940-L  
Exhibit A, Attachment 2  
Part II  
Subpart C, Page 25

TO: Deputy Administrator  
Single Family Housing

ATTN: Thomas E. Hannah  
Director, SFHGLD  
Fax: (202) 720-8795

SUBJECT: Request for Reserve Funds  
Guaranteed Rural Housing Loan Program

STATE: \_\_\_\_\_

Check the applicable reserve:

\_\_\_ General reserve Amount (\$)\_\_\_\_\_

\_\_\_ Special outreach reserve Amount (\$)\_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
State Director

**\*\*\*\*\*For National Office Use Only\*\*\*\*\***

\_\_\_ Your request has been approved and the funds have been placed on the appropriations accounting system.

\_\_\_ We were unable to approve your request for funding based on the following reason:

\_\_\_\_\_  
\_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

oOo

SECTION 515 NONPROFIT SET ASIDE (NPSA)

I. Objective: To provide eligible nonprofit entities with a reasonable opportunity to utilize Section 515 funds.

II. Background: The Cranston-Gonzalez National Affordable Housing Act of 1990 established the statutory authority for the Section 515 NPSA funds.

III. Eligible entities. Amounts set aside shall be available only for nonprofit entities in the State, which may not be wholly or partially owned or controlled by a for-profit entity. An eligible entity may include a partnership, including a limited partnership, that has as its general partner a nonprofit entity or the nonprofit entity's for-profit subsidiary which will be receiving low-income housing tax credits authorized under section 42 of the Internal Revenue Code of 1986. For the purposes of this exhibit, a nonprofit entity is an organization that:

A. Will own an interest in a project to be financed under this section and will materially participate in the development and the operations of the project; and

B. Is a private organization that has nonprofit, tax exempt status under section 501(c)(3) or section 501(c)(4) of the Internal Revenue Code of 1986; and

C. Has among its purposes the planning, development, or management of low-income housing or community development projects; and

D. Is not affiliated with or controlled by a for-profit organization; and

E. May be a consumer cooperative, Indian tribe, or tribal housing authority.

IV. Nondiscrimination. FmHA reemphasizes the nondiscrimination in use and occupancy, and location requirements of §1944.215 of Subpart E of Part 1944 of this chapter.

V. Amount of Set Aside . See Attachment 1 of this exhibit (available in any FmHA State Office):

A. Small State Allocation Set Aside (SSASA) . The allocation for small States has been reserved and combined to form the SSASA, as shown in Attachment 1 of this exhibit (available in any FmHA State Office). The definition of small State is included in Attachment 1 of this exhibit (available in any FmHA State Office).

B. Large State Allocation Set Aside (LSASA) . The allocation for large States has been reserved in the amounts shown in Attachment 1 of this exhibit (available in any FmHA State Office). The definition of large State is included in Attachment 1 of this exhibit (available in any FmHA State Office).

C. NPSA Rental Assistance (RA) . NPSA RA has been reserved in the National Office as shown in Attachment 1 of this exhibit (available in any FmHA State Office).

VI. Access to NPSA funds and RA . RA is available and may be requested, as needed, with eligible loan requests. NPSA funds and RA should be requested by the State Director using a format similar to Attachment 2 of this exhibit (available in any FmHA State Office). Funds are available as follows:

A. SSASA: The SSASA is available to any SSASA State on a first-come-first-served basis until pooling. See Attachment 3 of this exhibit (available in any FmHA State Office) for information regarding pooling.

B. LSASA: LSASA States may request LSASA funds up to the amount the State contributed to LSASA until pooling. See Attachment 3 of this exhibit (available in any FmHA State Office) for information regarding pooling.

VII. General information on priority/processing of preapplications .

A. Preapplications/applications for assistance from eligible nonprofit entities under this subpart must continue to meet all loan making requirements of Subpart E of Part 1944 of this chapter.

B. A separate processing list will be maintained for NPSA loan requests.

C. The State Director may issue Form AD-622, "Notice of Preapplication Review Action," requesting a formal application to the highest ranking preapplication(s) from eligible nonprofit entities defined in paragraph III of this exhibit as follows:

1. LSASA. In LSASA States, AD-622s may not exceed 150 percent of the amount the State contributed to the LSASA. No single Form AD-622 may exceed the amount of funds the State contributed to LSASA.
2. SSASA. In SSASA states, AD-622s should not exceed the greater of \$750,000 or 150 percent of the amount the State contributed to the SSASA; except that the State Director in a SSASA State may request authorization to issue a Form AD-622, in an amount in excess of \$750,000 if additional funds are necessary to finance an average-size proposal based upon average construction costs in the state. For example, if the average size proposal currently being funded in the state is 24 units, and the average construction cost in the state is \$35,000 per unit, the state may request authorization to issue a Form AD-622 for \$840,000. The State Director will submit such requests to the National Office including data reflecting average size/cost projects in the State. No single Form AD-622 may exceed the amount of funds the State may receive from the SSASA.

D. All AD-622s issued for proposals to be funded from NPSA will be subject to the availability of NPSA funds. Form AD-622 should contain the following or similar language: "This Form AD-622 is issued subject to the availability of Nonprofit Set Aside (NPSA) funds."

E. If a preapplication requesting NPSA funds has sufficient priority points to compete with non-NPSA loan requests based upon the District or State allocation (as applicable), the preapplication will be maintained on both the NPSA and non-NPSA rating/ranking lists.

F. Provisions for providing preference to loan requests from nonprofit organizations is contained in §1944.231 of Subpart E of Part 1944 of this chapter. Limited partnerships, with a nonprofit general partner, do not qualify for nonprofit preference.

VIII. Exception authority . The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government or adversely affect the intent of the authorizing statute and/or Rural Rental Housing program or result in an undue hardship by applying the requirement. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, or Director of the Multi-Family Housing Processing Division. The request must be supported by information that demonstrates the adverse impact or effect on the program. The Administrator, or his/her designee, also reserves the right to change pooling dates, establish/change minimum and maximum fund usage from NPSA, or restrict participation in the set aside.

Attachments: Attachment 1, 2, and 3.

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SECTION 515 NONPROFIT SET ASIDE (NPSA) ALLOCATIONS

FISCAL YEARS 1993 AND 1994

I. Fiscal Year (FY) 93/94 NPSA allocation : Nine percent of each State's FY 93 and FY 94 allocation has been set aside in the National Office for NPSA, as follows:

A. Small State Allocation Set Aside (SSASA) : Small States are those in which 9 percent of their allocation is less than \$750,000. Nine percent of each small States's allocation has been reserved and combined to form the SSASA.

B. Large State Allocation Set Aside (LSASA) : Large States are those in which 9 percent of their allocation is more than \$750,000. Nine percent of each large State's allocation has been reserved.

II. NPSA Rental Assistance : See the Multi-Family Housing funding attachment to Exhibit A of this subpart (available in any FmHA State Office).

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SUBJECT: Request for Nonprofit Set Aside (NPSA)  
Funds and Rental Assistance (RA)

TO:  
Assistant Administrator  
Housing

ATTN: Multi-Family Housing Processing Division

We hereby request NPSA funds and RA as follows:

State Name: \_\_\_\_\_ County Name: \_\_\_\_\_

State Code: \_\_\_\_\_ District Code: \_\_\_\_\_ County Code: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_

Type of Applicant:

- \_\_\_\_\_ Nonprofit (NP) organization
- \_\_\_\_\_ Limited partnership with NP general partner
- \_\_\_\_\_ Indian tribe or tribal housing authority
- \_\_\_\_\_ Other (please specify) \_\_\_\_\_

Project Name: \_\_\_\_\_

Type of Complex: \_\_\_\_\_ No. of Units: \_\_\_\_\_

Priority Processing Point Score: \_\_\_\_\_ points

Total Loan Request: \$\_\_\_\_\_ RA Units: \_\_\_\_\_

NPSA Request: \$\_\_\_\_\_ RA Units: \_\_\_\_\_

Other comments/information:

The applicant is an entity which meets the requirements of RD Instruction 1940-L, Exhibit B.

State Director

(Instructions: Submit a separate request for each NPSA request.)

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SECTION 515 NONPROFIT SET ASIDE (NPSA) POOLING

FISCAL YEAR (FY) 1994 AND THEREAFTER

Pooling for Small State Set Aside (SSASA) and Large State Set Aside (LSASA) :  
Beginning with FY 94, unused SSASA and LSASA funds will be pooled as follows:

A. On or after July 1, of each year, unused funds from the SSASA and the LSASA States will be combined and made available, on a first-come-first-served basis, in any State, for eligible nonprofit entities meeting the requirements of paragraph III of Exhibit B of this subpart. The exact pooling date will be established annually and will be included in the Multi-Family Housing (MFH) funding attachment to Exhibit A of this subpart (available in any FmHA State Office). The MFH funding attachment is also published annually as a Notice in the Federal Register.

B. Unused funds remaining 30 days after the pooling date will be returned to the States for use for any Section 515 proposal ready for obligation, without regard to the type of applicant entity. Funds will be returned to States that did not use the full amount contributed, in an amount proportionate to the amount contributed.



SECTION 515 NPSA POOLING

FY 1993

I. Pooling for SSASA States :

A. June 18, 1993, is the last date for SSASA States to request SSASA funds and RA units. At close of business (COB) June 18, 1993, any unused SSASA funds will be pooled and made available to any SSASA State on a first-come-first-served basis until COB July 19, 1993.

B. Unused funds, as of COB July 19, 1993, will be returned to SSASA States which did not use the full amount of set aside funds they contributed, in an amount proportionate to the amount contributed. The returned funds may be used for Section 515 proposals ready for obligation, without regard to the type of applicant entity.

II. Pooling for LSASA States :

A. LSASA States may request LSASA funds, up to the amount contributed, until COB July 19, 1993.

B. Unused LSASA funds will be returned to the States as of COB July 19, 1993. These funds may be used for Section 515 proposals ready for obligation, without regard to the type of applicant entity.

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HOUSING IN UNDERSERVED AREAS

I. Objective.

A. To improve the quality of affordable housing by targeting funds under Rural Housing Targeting Set Aside (RHTSA) to designated areas that have extremely high concentrations of poverty and substandard housing and have severe, unmet rural housing needs.

B. To provide for the eligibility of certain colonias for rural housing funds.

II. Background. The Cranston-Gonzalez National Affordable Housing Act of 1990 (herein referred to as the "Act") requires that Farmers Home Administration (FmHA) set aside Section 502, 504, 514, 515, and 524 funds for assistance in targeted, underserved areas. An appropriate amount of Section 521 new construction rental assistance (RA) is set aside for use with Section 514 and 515 loan programs. Under the Act, certain colonias are now eligible for FmHA housing assistance.

III. Colonias.

A. Colonia is defined as any identifiable community that:

1. is in the State of Arizona, California, New Mexico or Texas;
2. is in the area of the United States within 150 miles of the border between the United States and Mexico, except that the term does not include any standard metropolitan statistical area that has a population exceeding 1 million;
3. is designated by the State or county in which it is located as a colonia;
4. is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and

5. was in existence and generally recognized as a colonia before November 28, 1990.

B. Requests for housing assistance in colonias have priority as follows:

1. When the State did not obligate its allocation in one or more of its housing programs during the previous two fiscal years (FYs), priority will be given to requests for assistance, in the affected program(s), from regularly allocated funds, until an amount equal to 5 percent of the current FY program(s) allocation is obligated in colonias. This priority takes precedence over other processing priority methods.

2. When the State did obligate its allocation in one or more of its housing programs during the previous 2 FYs, priority will be given to requests for assistance, in the affected program(s), from RHTSA funds, until an amount equal to 5 percent of the current FY program(s) allocation is obligated in colonias. This priority takes precedence over other processing priority methods.

C. Colonias may access pooled RHTSA funds as provided in paragraph IV G of this exhibit.

#### IV. RHTSA.

A. Amount of Set Aside . Set asides for RHTSA from the current FY allocations are established in Attachment 1 of this exhibit (available in any FmHA State Office).

B. Selection of Targeted Counties .

1. Eligibility . Eligible counties met the following criteria: (1) 20 percent or more of the county population is at or below poverty level; (2) 10 percent or more of the occupied housing units are substandard; and (3) the average funds received on a per capita basis in the county during the previous 5 FYs were more than 40 percent below the State per capita average during the same period. Data from the most recent available Census was used for all three criteria, with criteria (2) and (3) based on the FmHA rural area definition.

2. Selection. The Act requires that 100 of the most underserved counties be initially targeted for RHTSA funds. In establishing the 100 counties, those with 28 percent or more of their population at or below poverty level and 13 percent or more of their occupied housing units substandard, have preference. If less than 100 counties meet this criteria, the remaining counties meeting the criteria in paragraph IV B 1 of this exhibit will be ranked, based upon a total of their substandard housing and poverty level percentages. The highest-ranking counties are then selected until the list reaches 100. The remaining counties are eligible for pool funds only.

C. State RHTSA Levels. In the Section 502, 504, and 515 programs, each State's RHTSA level will be based on its number of eligible counties, with each county receiving a pro rata share of the total funds available. In order to ensure that a meaningful amount of assistance is available to each State, minimum funding levels may be established. When minimum levels are established, they are set forth on Attachment 1 of this exhibit (available in any FmHA State Office).

D. Use of Funds. To maximize the assistance to targeted counties, allocated program funds should be used in addition to RHTSA funds, where possible. The State Director has the discretion to determine the most effective delivery of RHTSA funds among the targeted counties within his/her jurisdiction. The 100 counties listed in Attachment 2 of this exhibit (available in any FmHA State Office) are eligible for RHTSA funding consideration immediately. Colonias are also eligible for RHTSA funds as described in Paragraph III of this exhibit.

E. National Office RHTSA Reserve. A limited National Office reserve is available on an individual case basis when the State is unable to fund a request from its regular or RHTSA allocation. The amount of the reserve, and the date it can be accessed and any conditions thereof, if applicable, are contained in Attachment 1 of this exhibit (available in any FmHA State Office).

F. Requests for Funds and RA . All RHTSA funds are reserved in the National Office and requests for these funds and/or units must be submitted by the State Director using the applicable format shown on Attachments 4 or 5 of this exhibit (available in any FmHA State Office). The State Director is responsible for notifying the Director of Single Family Housing Processing Division (SFHPD) or Multi-Family Housing Processing Division (MFHPD) of any RHTSA funds and RA units authorized, but not obligated, by RHTSA pooling date.

G. Pooling . Unused RHTSA funds and RA will be pooled. Pooling dates and any pertinent information thereof are available on Attachment 1 of this exhibit (available in any FmHA State Office). Pooled funds will be available on a first-come, first-served basis to all eligible colonias and all counties listed on Attachments 2 and 3 of this exhibit (available in any FmHA State Office). Pooled RHTSA funds will remain available until the year-end pooling date.

H. Outreach . Outreach efforts publicizing the availability of loan and grant funds for the eligible RHTSA counties will be aggressively carried out. Each affected State Director will develop an outreach plan which includes such techniques as news releases, community meetings, coordination with other Federal, State, and local government organizations, to promote full utilization of these targeted funds by all qualified applicants regardless of race, color, and sex. In addition to the above outreach efforts, States with eligible colonias should establish liaison with community groups in order to leverage support and assistance provided to residents of colonias.

I. Monitoring Performance .

1. National Office : The National Office will track the use of targeted funds on a regular basis throughout the FY and take necessary follow-up actions to facilitate the delivery of the program.

2. State Office :

a. The State Director will designate a staff member to coordinate all efforts under RHTSA.

b. Adequate records will be maintained for each of the eligible RHTSA counties, in all programs with RHTSA set asides.

c. The State Directors for Arizona, California, New Mexico, and Texas will submit quarterly reports of funds usage in colonias to SFHPD and MFHPD. Negative reports will be required.

J. Requests for Assistance . Requests for assistance in targeted counties must meet all loan making requirements of the applicable program Instructions, except as modified for colonias in paragraph III of this exhibit. For Section 515, States may:

1. Issue Form AD-622, "Notice of Preapplication Review Action," up to 150 percent of the amount shown in Attachment 1 of this exhibit (available in any FmHA State Office).

2. All AD-622s issued for applicants in targeted counties will be annotated, in Item 7, under "Other Remarks," with the following: "Issuance of this AD-622 is contingent upon receiving funds from the Rural Housing Targeting Set Aside (RHTSA). Should RHTSA funds be unavailable, or the county in which this project will be located is no longer considered a targeted county, this AD-622 will no longer be valid. In these cases, the request for assistance will need to compete with other preapplications in non-targeted counties, based upon its priority point score."

V. Exception Authority . The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, Director of the SFHPD or Director of the MFHPD. The request must be supported by information that demonstrates the adverse

RD Instruction 1940-L  
Exhibit C  
Page 6

impact or effect on the program. The Administrator, or his/her designee, also reserves the right to change the pooling date, establish/change minimum and maximum fund usage from set asides and/or the reserve, or restrict participation in set asides and/or reserves.

Attachments: 1, 2, 3, 4, and 5

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Exhibit C: Attachments 1, 2, and 3 not automated see manual



SUBJECT: Request for Rural Housing Targeting  
Set Aside (RHTSA) Funds

TO: Ronnie O. Tharrington  
Assistant Administrator  
Housing

ATTN: Single Family Housing Processing Division

We hereby request RHTSA funds as follows:

State Name: \_\_\_\_\_

Program

Amount of RHTSA Requested

Section 502 Very Low-Income Funds	\$ _____
Section 502 Low-Income Funds	\$ _____
Section 504 Loan Funds	\$ _____
Section 504 Grant Funds	\$ _____
Section 524 Loan Funds	\$ _____

State Director

(General Instructions - Individual listing of counties or applicants not required. Requests should be grouped and submitted on a periodic basis.)

RD Instruction 1940-L  
Exhibit C, Attachment 5

SUBJECT: Request for Rural Housing Targeting Set Aside (RHTSA)  
Funds and Rental Assistance (RA)

TO: Ronnie O. Tharrington  
Assistant Administrator  
Housing

ATTN: Multi-Family Housing Processing Division

We hereby request funds and RA from the RHTSA as follows:

State Name: \_\_\_\_\_ County Name: \_\_\_\_\_ Colonia: \_\_\_\_\_

State Code: \_\_\_\_\_ County Code: \_\_\_\_\_ District Code: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_

Project Name: \_\_\_\_\_

Project Physical Location: \_\_\_\_\_

Type of Project: \_\_\_\_\_ No. of rental units: \_\_\_\_\_

Priority Processing Point Score: \_\_\_\_\_ \_\_ points

Total Loan Request: \$\_\_\_\_\_ RA units \_\_\_\_\_

RHTSA Request: \$\_\_\_\_\_ RHTSA RA Request \_\_\_\_\_

Projected Obligation Date: \_\_\_\_\_

Other comments/information:

State Director

[General Instructions - Complete a separate Attachment 5 for each RHTSA request.]

(02-20-91) SPECIAL PN

RURAL RENTAL HOUSING DIVERSITY DEMONSTRATION PROGRAM (RRHDDP)

I. Objectives.

- A. To encourage applicants of limited gross incomes which have little or no participation in the Section 515 program.
- B. To provide housing in unserved areas.
- C. To provide an economic stimulus to the local economy by encouraging procurement of labor, goods, and services from the local community.

II. Background. In accordance with Section 506 (b) of the Housing Act of 1949, as amended, the Secretary is authorized and directed to conduct research, technical studies, and demonstrations relating to the mission and programs of Farmers Home Administration (FmHA) and the national housing goals defined in section 2 of this Act. In connection with such activities, the Secretary shall seek to promote the construction of adequate farm and other rural housing. The Secretary shall conduct such activities for the purposes of stimulating construction and improving the architectural design and utility of dwellings and buildings. In furtherance of this goal, the Rural Rental Housing Diversity Demonstration Program (RRHDDP) is implemented. An appropriate amount of Section 521 new construction rental assistance (RA) is set aside for use with Section 515 loan funds.

III. RRHDDP.

- A. Amount of Set Aside. Set asides for RRHDDP from the current fiscal year (FY) allocations are established in Attachment 1 of this exhibit.
- B. Selection of States. All States were considered using the following criteria:
  - 1. Highest percentage of poverty;
  - 2. Highest percentage of substandard housing;
  - 3. Highest unemployment rates;
  - 4. Lowest rural median income; and
  - 5. Number of places with population of 2,500 or fewer.

Each State selected for RRHDDP had to be in the top 10 of at least 3 of the 5 criteria. Data from the 1990 census was used for all criteria. The States selected are listed in Attachment 1 of this exhibit.

C. State RRHDDP Levels . See Attachment 1 of this exhibit.

D. Use of Funds . To ensure the success of RRHDDP, the State Director may leverage funds from the RRHDDP with allocated funds from the Section 515 and 521 allocations held in the State Office reserve. The State Director has the discretion to determine the most effective delivery of RRHDDP funds; however, the intent and scope of the program should be ever present in the implementation and application processes.

E. National Office RRHDDP Reserve . There is no RRHDDP reserve available when the State is unable to fund a request from its regular or RRHDDP allocation.

F. Pooling . Unused RRHDDP funds and RA will be pooled. Pooling dates and any pertinent information thereof are available on Attachment 1 of this exhibit. Pooled funds will be available on a first-come-first-served basis to all eligible States listed on Attachment 1 of this exhibit. Pooled RRHDDP funds will remain available until the year-end pooling date.

IV. Eligibility . Applicants and proposals will need to meet the following requirements, in addition to those found in RD Instruction 1944-E:

A. The applicant must have had an interest (including family members) in no more than one Section 515 loan over the past 3 years. For entity applicants, this restriction applies to all general partners and their family members. For the purposes of this program, interest means a Section 515 loan which has been approved and funds obligated.

B. The applicant must have had a gross aggregate income from business and personal operations of less than \$500,000 in the previous calendar year. For entity applicants, the aggregate income of all general partners will be considered. American Indian tribes and tribal housing authorities are exempt from these income requirements.

C. At least 51 percent of the labor, goods, and services to develop the proposed housing must come from the market area as described in paragraph V B of this exhibit.

D. The housing must be constructed in a market area without similar subsidized housing. Market area is defined in Exhibit A-8 of RD Instruction 1944-E. Similar subsidized housing is defined in §1944.213 (f) of RD Instruction 1944-E.

E. The proposed complex must contain no more than 50 percent of the average number of units of the average size Section 515 complex in the State based on the previous FY average.

V. Processing Preapplications.

A. Requirements. To be eligible for participation in this demonstration program, applicants must ensure that the preapplication meets all requirements set forth in RD Instruction 1944-E and this exhibit.

1. All complete preapplications must be received in the place designated by the State Director by the date listed in Attachment 1 of this exhibit. Incomplete preapplications will not be considered. A complete preapplication consists of all items specified in Exhibit A-7 of RD Instruction 1944-E.

2. Based upon projected demand for the RRHDDP, the State Director will select the manner in which preapplications will be rated prior to implementation and/or announcement of the program to ensure the public is aware of how requests will be prioritized. The State Director may elect one of the following systems to prioritize and select proposals for further processing:

a. The priority point system contained in §1944.231 (d) of RD Instruction 1944-E; or

b. The following priority point scoring system;

(i) Interest in Section 515  
loans over the past 3 FYs as specified in paragraph IV  
A of this exhibit.

No Interest	- 5 points
Interest in 1 project	- 2 points

(ii) Gross incomes as defined  
in paragraph IV B of this exhibit.

Income: \$400,001-499,999	- 1 point	
	\$300,000-400,000	-
2 points	\$299,999 or less	
- 3 points		
	American Indian	
Tribes/Tribal		
	Housing Authorities	-
3 points		

(iii) Percent of the labor, goods, and services must come from the local market described in paragraph V B of this exhibit.

100% from local market	- 5 points
90-99% from local market	- 4 points
80-89% from local market	- 3 points
70-79% from local market	- 2 points
51-69% from local market	- 1 point

(iv) Size of proposed complex compared to average size complex obligated in previous FY.

40-50% average size	- 3 points
30-39% average size	- 4 points
less than 30%	- 5 points

c. A combination of the points received in paragraphs V A 2 a and b of this exhibit.

3. In the event of a tie, the proposal with the earliest date of complete preapplication will take preference.

B. Procurement of labor, goods, and services . One of the intents of the RRHDDP is to stimulate the local economy by encouraging procurement of labor, goods, and services from the local area. FmHA recognizes that defining a local trade area in which to procure the labor, goods, and services to build an apartment complex is difficult in rural America. To be responsive to the application procedures, applicants must procure labor, goods, and services from Level One of this paragraph. If labor, goods, and services are not available in Level One of this paragraph, the applicant may use the trade area defined in Level Two of this paragraph. Documentation as to why the labor, goods, and services are not available in Level One of this paragraph must be included in the case file. The applicant may propose to secure labor, goods, and services from Level Three or Four of this paragraph; however, documentation as to why same is not available in all of the previous levels must be included in the case file.

1. Level One: Labor, goods, and services must be procured within 15 miles of the proposed site of the apartments.

2. Level Two: Labor, goods, and services must be procured within the county where the proposed apartments will be located.

3. Level Three: Labor, goods, and services must be procured within the lesser of 50 miles from the site of the proposed complex OR the boundaries of any adjacent county (regardless of State boundary).

4. Level Four: Labor, goods, and services must be procured within 100 miles of the proposed site (regardless of State boundary).

C. Outreach. Outreach efforts publicizing the availability of loan funds for the eligible RRHDDP States will be aggressively carried out. Each affected State Director will develop an outreach plan which includes such techniques as news releases, community meetings, coordination with other Federal, State, and local government organizations, to promote full utilization of these funds by all qualified applicants regardless of race, color, religion, national origin, marital status, age, and sex. In addition to the above outreach efforts, States with eligible colonias and/or tribal lands should establish liaison with community groups in order to leverage support and assistance provided to residents of colonias and tribal lands.

D. Monitoring Performance .

1. National Office : The National Office will track the use of targeted funds on a regular basis throughout the FY and take necessary follow-up actions to facilitate the delivery of the program.

2. State Office : The State Director will designate a staff member to coordinate all efforts under RRHDDP.

E. Issuance of Form AD-622, "Notice of Preapplication Review Action," inviting a formal application .

1. The State Director may issue AD-622s up to 100 percent of the amount shown in Attachment 1 of this exhibit and any funds made available from the State Office reserve.

2. All AD-622s issued for applicants under this demonstration program will be annotated, in Item 7 of the form, under "Other Remarks," with the following:

"Issuance of this AD-622 is contingent upon receiving funds from the Rural Rental Housing Diversity Demonstration Program (RRHDDP). Should RRHDDP funds be unavailable or the program discontinued,

this AD-622 will no longer be valid. In these cases, the request for assistance will need to compete with other preapplications based upon its priority point score established in accordance with §1944.231 of RD Instruction 1944-E."

- VI. Exception Authority . The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, or Director of the Multi-Family Housing Processing Division (MFHPD). The request must be supported by information that demonstrates the adverse impact or affect on the program. The Administrator, or his/her designee, also reserves the right to change the pooling date, establish/change minimum and maximum fund usage from set asides and/or the reserve, or restrict participation in set asides and/or reserves.